ANNUAL REPORT

OF THE

Indian Merchants' Chamber

FOR THE YEAR

1944

Presented to the Annual General Meeting of the Chamber held on 31st January 1945

24

Published by

J. K. MEHTA, M.A.

SECRETARY, INDIAN MERCHANTS' CHAMBER,

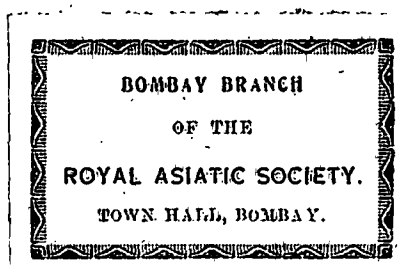
LALJI NARANJI MEMORIAL

INDIAN MERCHANTS' CHAMBER BUILDING,

BACK BAY RECLAMATION, FORT, BOMBAY

1945

Price Rs. 5



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of

The Secretary

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THIRTY-SEVENTH ANNUAL GENERAL MEETING

The Thirty-seventh Annual General Meeting of the Members of the Indian Merchants' Chamber was held on Wednesday, the 31st January 1945, at 4-0 P.M. (S.T.), at the Office of the Chamber, when the following members were present :—

Sheth Pranlal Devkaran Nanjee, (*President*).

Mr. M. A. Master, (*Vice-President*).

Mr. Mahomed Husein Hasham Premji, (*Incoming Vice-President*).

Mr. Madhavlal M. Bhatt
„ Keshavprasad C. Desai
„ Behram N. Karanjia
„ B. M. Bhargava
„ R. M. Nanavati
„ Mathuradas Canji Matani
„ Dhirajlal C. Modi
Seth Pratapsinh Mathuradas
Sir Chunilal B. Mehta
Mr. Lachhmandas H. Daga
„ Chhotabhai S. Patel
„ Panalal M. Chinai
„ K. S. Amin
„ S. M. Mistry
„ Shantilal L. Thar
„ Nanji Virji-
„ M. A. Parikh
Dr. K. A. Hamied
Mr. H. M. Parikh
„ Sorab P. Patell
„ R. J. Trivedi
„ N. M. Chinoy
„ Navnitram Ambaram
„ R. E. Kumanna
„ G. H. Thakore
„ Karsondas G. Asher
„ N. H. Mapara
„ Premchand C. Bhayani
„ Dwarkadas Mulji
„ K. S. Popat

Mr. H. T. Parikh
„ Venkatrao Sista
„ J. C. Setalvad
„ Manu Subedar
„ Sarabhai Pratapraí
„ Ratilal M. Gandhi
Seth Haridas Madhavdas
Sir Rahimtoola M. Chinoy
Mr. R. G. Saraiya
„ Khatau Vallabhdas
„ Vijaysinh Govindji
„ B. S. Dabke
„ Ramdas Kilachand
„ Purshotamdass Popatlal
„ Vallabhdas V. Mariwala
„ Chimanlal B. Parikh
„ J. R. Miranda
Mrs. Bapasola
Mr. R. Joosab
„ Shivjee Devjee
„ S. K. Desai
„ Dinshaw Behram Irani
„ N. C. Dalal
„ Pravinchandra C. Gandhi
„ Thakordas N. Merchant
„ R. D. Shah
„ Ratilal R. Merchant
„ G. A. Kulkarni
„ Lakhamsi Gellabhai
„ M. A. Currimally

Mr. B. S. Lalkaka
„ L. N. Khanna
„ Himatlal V. Gandhi
„ Ratilal C. Kothari
„ N. C. Javeri
„ N. Bhattacharjee
„ V. H. Hazrat
„ S. Venkatraman
„ Gordhandas P. Merchant
„ R. S. Desai
„ Shamji Vallabhji
„ B. R. Chinai
„ P. S. Lahoti
„ C. A. Buch
„ M. A. J. Noble
„ Gordhandas Jamnadas
„ J. H. Sidhwa
„ Vadilal A. Shah
„ G. R. Kedia
„ Venilal N. Patwa
„ Jamnadas H. Sanghavi
„ Haridas Bhanji
„ Jamnadas M. Tanna
„ Lalitchandra C. D. Nanjee

Mr. Charrandas Vallabhdas
„ Mathuradas Devidas
„ P. G. Merchant
„ Ishwarlal N. Shah
„ M. V. Nayak
„ Anandji Kanji
„ Jayantilal K. Thakkar
„ J. B. Jijibhoy
„ Chaurai Utamchand
„ Motilal Agrawal
„ Mahomedally Hebatbhoy
„ N. C. Jerajani
„ Gordhandas Bhagwandas
„ J. A. Shah
„ Murarji J. Vaidya
„ Manilal C. Modi
„ R. N. Bapsola
„ Govindjee Shamjee
„ C. T. Shah
„ C. R. Shroff
„ A. E. Arsiwala
„ S. C. Sheth
„ Chandrakant M. Desai
„ Bhupatrai Keshavlal

Mr. J. K. Mehta (Secretary)

The Secretary read the Notice convening the Meeting.

Sheth Pranlal Devkaran Nanjee, retiring President, in placing before the Meeting the Report of the work done by the Committee during the year and the audited Statement of Accounts of the Chamber for the year ending 31st December 1944, made the following speech :—

GENTLEMEN,

The Report of the work done by your Committee during the last year and the audited Statement of Accounts of the Chamber are in your hands. I propose the adoption of the Report and the Accounts.

INCOMING PRESIDENT

Before I deal with some of the questions of the year, which have been considered by your Committee, I should like to con-

gratulate my friend, Mr. M. A. Master, on his election as President of the Chamber for the new year. Mr. Master has been connected with this Chamber for a long time and he is one of the oldest members of the Committee, having been on it for about 18 years now. If there is ever going to be a Brain Trust for this country, I am quite sure that Mr. Master will be one of the first members of that Trust. His organising capacity, his deep knowledge of the Shipping Industry and his work for the Scindia Steam Navigation Company and its allied companies, have marked Mr. Master as one of the master-minds of the modern industrial India. Though primarily connected with Shipping, his interest is cosmopolitan and his knowledge vast. Mr. Master has mastered, if I may say so, the technicalities of industrialisation of the country. What he does not know about the genuine needs of India's industries, is not worth knowing. Besides this, he has rendered remarkable service to the cause of Indo-Burmese relations. He has also been, several times, outside India for International Conferences and for consultation and negotiations on behalf of his Company. He was invited to be the Vice-President of the Chamber in the past on more than three or four occasions; but, unfortunately, on account of his varied engagements, he could not accept the honour. Last year, however, we were fortunate in having him as Vice-President, and now as President for the new year. I am particularly grateful to him for the unceasing and valuable help, which he gave to me so readily and ungrudgingly, in carrying through the day to day affairs of the Chamber during the year under review. I am quite sure that with him as the helmsman the Chamber will have no difficulty in negotiating the difficult waters, commercial institutions have to pass through in these times.

I should also like to congratulate my friend, Mr. Mahomed Husein Hasham Premji, on his election as the Vice-President of the Chamber for the coming year. Although young in years, he has had varied experience and has been taking a very active interest in the working of the Chamber for the last 5 or 6 years. I am sure that with his usual energy and enthusiasm, he will prove to be of considerable service to the Chamber in the years to come.

Political Situation

The political situation has practically retained its *status quo;* and there have been no fresh developments worth noticing. That the situation has retained its *status quo,* does not bespeak much

for the statesmanship of the powers-that-be. Unfortunately, they have chosen to consider India as a country apart. India is supposed not to be governed by the same code as obtains in other countries. While the war was on, perhaps at the height of its fury, the U.S.A. could run a Presidential election, with all the zest and bitterness which characterise such election campaigns in that country. Canada could conduct her elections, which were fought with no kid-gloves; Egypt has done likewise, and there too the Christmas spirit was hardly animating the election campaign; Australia ran her elections; South Africa had her elections; but, India is the only country,—so imbecile, so perverse, so unfit,—that she cannot have the elections while the war is on. It is almost a decade now, since the Legislatures were elected; and the same anti-diluvian and the same antiquated Councils and Assemblies drag on. In the majority of the Provinces, Governor's rule under Section 93 of the Government of India Act has continued for years; and it is a great pity that the limitation period of six months is being extended from time to time instead of ending such rule by dissolving the Assemblies and Councils and calling for a fresh writ. Government are, evidently, afraid of the results which may be brought about by fresh elections. They have created a legend that the Indian National Congress has lost its hold upon the country. The elections would show if this legend is based on reality or only a figment of anti-Indian imagination. I think our political leaders should carry on a strong propaganda for the dissolution of the present Legislatures and for having fresh elections throughout the country.

India's Political Ills and Dr. Wavell

His Excellency the Viceroy's speech at the Associated Chambers of Commerce in Calcutta last month threw no light on the present-day political problems of the country. His Excellency, however, assumed the role of a doctor and medical adviser to political India. He wants us, perhaps, to follow the Coue technique of getting up every morning with the feeling that we are better, better, better. But, when even individual physical ills are not cured by this, what hope is there for the ills of a whole nation, groaning for centuries past under diseases, political and national? If pills, mixtures and operations are no good, will naturopathy alone be good for the country? India has been practising this faith-cure now for a number of decades, and surely His Excellency could not have been unaware of this! India has, for years, been fed on hopes and expectations.

India's social and religious traditions have provided for a lot of room for faith; but India was, too long, fed on it. The oasis is the only solace in the desert, but in the desert of Indian politics faith has proved not an oasis but a mirage. The Indian people have lost faith in faith-cures. Faith lost millions of lives in the Bengal famine, and that faith has kept self-government as far away as ever from us and some of our most beloved leaders languishing behind prison bars. What is the use of prescribing to us then such faith-cures? What we want is the real and genuine thing, that we can touch and feel and retain and not ephemeral illusions. We want some overt action, we want something definite and substantial; and that alone will convince the Indian people as to the intentions and aims of the British Government and the British people.

Effect of the War on India

Referring to the effect of the war on this country, His Excellency also made some unfortunate comparisons. He said:

> "Her (India's) land has not been devastated; her losses in personnel have been comparatively light even if we reckon the deaths in the Bengal famine as war casualties; these war losses have been more than balanced taking a purely utilitarian point of view, by the number of her people who have received technical training as a result of the war; financially she has become a creditor instead of a debtor country. In terms of property, of manpower, and of money India has gained during the war years rather than lost."

In this connection, I cannot do better than quote the comment of a leading Indian weekly, which wrote:

> "When we read this passage, we confess, we felt serious doubts whether His Excellency expected the world—apart from the British commercial community—to take him seriously. A day previously—only a single day—the Commander-in-Chief, Sir Claude Auchinleck, giving his impressions of his recent tour through the country at a Press Conference, provided in anticipation the antidote to the Viceroy's ecstatic estimate."
>
> "*Occasionally*", said Sir Claude, "*the idea is prevalent in some quarters that this vast country has been affected only to a very small degree by war. That is not true, in my opinion. I think even the humblest in India have been affected by this war. They too are bearing the burden of the war effort. Some*

of them may be bearing it unconsciously but they are bearing it. Even the humblest peasant is affected. The world outside India does not realise (small blame to it when the Viceroy himself does not) *how very small the margin is on which the Indian peasant lives; the fact that because of war he may be unable to get the few dozen yards of cloth he needs for himself and his family, means as much to him as the greater deprivation of comfort that people in the United States or the United Kingdom suffer.*"

Lord Wavell himself on the morrow of nomination to the Viceroyalty observed in the course of a speech in London that the strain on India was nearing the breaking point.

There are several myths created in order to mislead the outside world by British administrators and British economists; and one of these is about India being now a creditor country on account of the accumulations of the Sterling Balances. Those who have followed the history of these balances cannot help being afraid that the time is still far distant when India can expect the return of these balances, and the form in which they are to be returned, and the question whether they are to be returned at all, are also in a nebulous state. The Bretton Woods Monetary Conference showed how any such optimism was bound to lead to disillusionment. It is a fashion not only amongst British writers and speakers, but also unfortunately amongst some Indians, to compare the sacrifices of Great Britain with those of India. Such analogies and comparisons are utterly misleading. The gigantic strength,—economic, military, social and political,—of England and the equally colossal weakness of India in all these fields, are too glaring to justify any attempt at such comparisons. In the words of the same Indian weekly, to which I referred above, the whole thing is put in a nutshell thus :

"*And what are the stakes? For Britain world domination—leadership, if that word is more acceptable, in finance and commerce. For India? Lord Wavell can easily imagine what the stakes for India are, mostly negative.*"

Bombay Explosion

The year which has just ended was characterised by an unprecedented, terriffic and catastrophic explosion in the Docks, which demolished a large part of our beautiful prosperous trade City and Port. I need not go into the details of all that happened then,

Two very carefully and conscientiously prepared Reports of the (Stone) Commission appointed to investigate the explosion have been published and have probably been studied by you all. Your Committee set themselves to the task, as soon as the explosion happened, of trying to help, as much as they could, our business people who suffered from the disastrous effects of the explosion. Representations were made both to the Provincial and the Central Governments, and both His Excellency the Viceroy and His Excellency the Governor of Bombay were good enough to grant me interviews in this connection, and I placed before them the grievances and difficulties of the business community.

As a result of the combined efforts of our Chamber, His Worship the Mayor of Bombay, Mr. Nagindas Master, and the Honourable Sir Shantidas Askuran, the then Sheriff of Bombay, and several other Committees and Associations, the Government of India agreed to a scheme of compensation for losses which, though it did not meet the requirements fully, was fairly satisfactory. There were, however, some glaring lacunae in the scheme, to which we had drawn the attention of the Government. May we hope that the Government will see their way, even at this late stage, to make good the omissions, particularly remove the differential treatment as between the insured and un-insured losses?

Smti. Kasturba Gandhi National Memorial Fund

The Chamber was fortunate to be of some service to the Kasturba Memorial Fund. The death of revered Kasturba Gandhi, on 22nd February 1944, gave a shock of grief to the whole of India, which became bereaved of a most dearly beloved and eminent personality and one of the saintliest of women. Wisely,— it may be said very wisely,—a proposal was mooted by Pandit Madan Mohan Malaviya and other leaders for raising a memorial fund of Rs. 75 lakhs in her honour. The quota of Bombay was fixed at Rs. 20 lakhs. Your President was requisitioned to take up the Chairmanship of the Bombay Committee of that Fund; and it was my pleasure and privilege to be of service towards an object, which we all have so much at heart. I am very happy that, thanks to the active help and association of several prominent members of the Chamber as well as the public, and the proverbial generosity of the people of Bombay and its suburbs, we were able to more than complete the quota of Bombay before the scheduled time. Let us hope that,

when the Fund begins to operate for the benefit of women and children in the rural areas, as it is intended to be, the moneys contributed by Bombay will go towards drying the tears of some of our less fortunate sisters and their young ones, and in ameliorating their lot in howsoever small a degree.

Swadeshi

I observed, in my speech at the Second Quarterly General Meeting of the Chamber last year, that we should strive to our utmost and see to it that all our requirements are " Made in India " and are purely Swadeshi. I pointed out that when Lokmanya Tilak started the Swadeshi movement he declared : " Remember each time you buy a Swadeshi article, you put a piece of loaf into the mouths of your countrymen." At this juncture particularly when we are planning for industrialisation, development of agriculture and post-war reconstruction, and thereby aiming to increase our standard of living manifold and when unfriendly quarters are under plausible pleas helping the imports of foreign goods, instead of rendering the necessary help for such goods to be made here, it is this spirit of Swadeshi which should animate and inspire us all, to whatever section or class or community we may belong and whatever political or social views we may be holding. The *mantra* of Swadeshi will also act as a unifying influence bringing all together in one fold. Mahatma Gandhi observed, as far back as 1916, speaking before a Missionary Conference, thus :

> " . . . Much of the deep poverty of the masses is due to the ruinous departure from Swadeshi in the economic and industrial life. If not an article of commerce had been brought from outside India, she would be today a land flowing with milk and honey."

I appeal to all my countrymen to work for the cause of Swadeshi. In our plans and aspirations nothing will help as much as this.

Indian Banks' Association

You will remember gentlemen that at the Second Quarterly General Meeting I informed you that through the initiative of the Chamber representatives of Indian Scheduled Banks met together for the formation of an Indian Banks' Association and that a Committee was appointed to draft the constitution. A number of friends have since asked me why the actual formation has so long been

delayed, when this endeavour was welcomed all over India. I am sorry to say to them in reply that, unfortunately, the matter has been delayed quite long. Some of our leading Bankers seem to have expressed the opinion that the Association should not be started in the present abnormal times and that the proposal can be examined at a later date. On the other hand, it is generally felt that the present time is the proper and suitable time to start such an Association. It is also felt that these leading Bankers should actively help in establishing an Indian Banks' Association without delay so that the Banking fraternity may be able to stand the post-war stresses and strains all the better and that any help which may be rendered to the newer banks through a well-organised Bankers' Association will ultimately be of use to all the banks including the old established ones, as it will tend to strengthen the banking structure of the country as a whole. Besides, such an Association would be very helpful in the post-war industrialisation plans, as Banking will be of supreme importance in the coming period of reconstruction, and we cannot afford any longer to neglect its growth on the right lines as much in its own interest as in the interests of our trade, commerce, industry and agriculture generally. We have also to strengthen our Indian Banking structure, also matters of common interest and matters of national interest can be dealt with more effectively by such an Association than by individuals. It is true that an Association founded without general goodwill and approval may fail to function in the right way; but there is no reason why there should not be such a general goodwill and approval. While non-Indian Banks continue to strengthen their interests by working in unison and had for years their Associations, we have unfortunately yet remained in the stage of discussions and expressing opinions and lack cohesion. I strongly appeal to Sir H. P. Mody, Chairman of the Constitution Committee, not to allow the sands of time to run on indefinitely, but take time by the forelock. An Association without leading Bankers like him cannot have the same influence and carry the same weight as an Association led by them and I would therefore appeal to my friends to have some more patience.

Conclusion

After this meeting I will be giving up my office as your President. You will allow me to say that I have considered the Presidentship

of the Chamber as the highest honour to which an Indian merchant and business man may aspire. I am very grateful to you for having conferred this honour on me last year and on the eve of my retirement I again thank you very sincerely for the same. Let me say that although it has been for me a most eventful and busy year, I have enjoyed every minute of the hundreds of hours which I had to spend working in these portals.

I hope you will not consider it out of place if I were to make some observations on an aspect which struck me as deserving your attention. The work of the Chamber has increased tremendously. New and important problems, sometimes of an intricate nature, are cropping up. Almost every day there is something new to be looked into and digested; some interest or other to be safeguarded; some control or regulation to be protested against; some enactment or legislation to be considered and commented upon, and some memorandum or other to be made. At times it has also been a race against time. While I acknowledge that we have a very competent Secretariat with an experienced and able Secretary at its Head, of whom we may be well proud of, and who can compare favourably with the Chief Executive Officer of any Chamber of Commerce, it occurs to me that even for their capacity and will to work, there must be a limit, particularly in view of the increased quantum and intricate nature of the work that we are, from time to time, being called upon to do. Moreover, these are days of specialisation. Problems like Railways, Shipping, Aeronautics, Banking, Insurance, Finance, Taxation laws, not to speak of the special difficulties and issues resulting from the war-time feature of controls, are such as require specialised day to day attention and intensive study. I feel that I should be failing in my duty if I did not place before you my feeling that our Secretariat should be considerably strengthened and the services of persons, having the necessary equipment and technical preparation in regard to some of these vital problems, enlisted on the staff. When we cherish high hopes and aspirations for the country taking its proper place in the reconstructed economic conditions of the post-war period, it becomes our duty to prepare ourselves for devoting specialised and considered attention to all such matters in an organised and systematic manner. I realise that the recruitment and maintenance of such specialised staff would mean considerable additional expenditure; more so in the present times. But I have no doubt in my mind that any such expenditure would,

in due course, prove to be a proper investment, yielding a full measure of dividend in regulating our activities in a thoroughly scientific, effective and systematic manner.

I have done. It now remains for me only to acknowledge how deeply grateful I am to all the members of the Committee who treated me with every consideration and indulgence and co-operated very fully with me in enabling me to discharge my duties as President during the whole of the year. I must also put on record my high appreciation and keen sense of thankfulness to our versatile Secretary, Mr. Jaisukhlal Mehta, who, as I mentioned before the Committee about a week back, was looked upon by me as my friend, philosopher and guide so far as the affairs of the Chamber were concerned. He was no mere Secretary in the accepted sense of the term. I am not in any sense exaggerating when I say that he was the pivot round which the machinery of the Chamber moved.

In his Assistant, Mr. Ramalingam, we have a very enthusiastic and able hand and I must say that I was delighted at the keenness with which he applied himself to all the tasks entrusted to him. I am also very thankful to all the members of the Staff for the energetic manner in which they applied themselves to the greatly increased day to day work of the institution which they did well and cheerfully.

With these words, Gentlemen, I propose the adoption of the Report and the Accounts.

Mr. M. A. Master, the incoming President, then spoke as under :—

MR. PRESIDENT AND GENTLEMEN,

Permit me, gentlemen, to begin my speech by offering to you all my very grateful thanks for the honour that you have conferred on me by electing me to the office of the President of the Chamber for the current year. I fully realise the value of this high office. I am keenly conscious of its great responsibilities. Today I can only say that it will be my constant anxiety and my continuous endeavour to maintain the best traditions of the Chamber during the period I hold the office. May I also say, that I am deeply touched by all that you, Mr. President, have said about me in your speech in such kind, feeling and generous language. I am indeed very grateful to you for such affectionate appreciation. I do not know whether any Vice-President in the past had the good fortune to enjoy such

implicit confidence, receive such careful consideration, get such active encouragement and be blessed with such innate courtesy from his chief in the day to day work of the Chamber as you were good enough to confer upon me. It was, therefore, Mr. Pranlalbhai, both a privilege and pleasure to have worked with you. It lightened my task. It made me realise what joy the work of the Chamber can bring to those who serve its interests. The coming year, however, will be a year of trial for me. I know my limitations. Frank in expression and willing to serve, as I am, I shall need all the active co-operation and the generous indulgence that you, gentlemen, and the members of the Committee can extend to me for navigating successfully the ship of the Chamber often though it may have to weather storms and to plough its course through uncharted waters. With faith in the righteousness of our cause and with your active encouragement, valuable guidance and willing help, I shall do my best to justify the confidence that you have placed in me, by putting me at the wheel.

In seconding the proposal for the adoption of the Report and Accounts, I may be permitted to offer a few observations on some of the matters which are of vital interest to us all.

Present War and the Human-Front in India

India has not declared the present war. Her rulers have made India a belligerent country. The question as to when the war will end and how the problems of peace will affect her future, however, have been causing grave anxiety to us all. The impact of war on our daily life and on our daily wants has been tremendous. It has given us all a rude shaking and a shock which we cannot easily overcome. There is not enough food in the country to satisfy the hunger of the people. There is not sufficient clothing to cover their bodies. There is not even the bare means to light the darkness of the poor man's cottage. There are not enough roofs under which people can find shelter. Want of sufficient sugar and want of milk are damaging the growth of the younger generation. There are not sufficient drugs to ward off disease and death. Thousands of our countrymen have died and are dying of starvation. Lakhs of people in this land are suffering from malnutrition. And yet the Viceroy told us only last December that " in terms of property, of man-power and of money, India has gained during war years rather than

lost". His Excellency wants us to enthuse over the war and feel happy over the joys which it has brought to this land. It is a tragedy that those who adorn the high seats of authority are often out of touch with stern realities. A more correct position was visualised, however, by the Commander-in-Chief, when he remarked only a few days before the Viceroy had spoken that "the sacrifice which the Indian peasant, with his small margin of reserve, was called upon to make was severer than the deprivation of comfort which people in other countries with higher standards might suffer." What he said about the peasant can with equal force be said about every other class of the people in this country. Whatever songs of glory may be sung on the National War Front under the inspiration from our Government, you will agree with me, gentlemen, that there is nothing but tales of sorrow and suffering on the human-front in many a home in this land.

India's Contribution to the War

The actual and the estimated expenditure of the war for the last five years, we are told, will amount to more than a thousand and forty-six crores of rupees. I do not know by how many more crores this will go up yet when the Finance Member will be presenting his Budget next month. The normal pre-war defence expenditure of India varied between 45 and 50 crores of rupees per annum. India is, therefore, made to spend now nearly six times more on her defence services than what she used to do in the pre-war days. In addition to this huge expenditure, India has been finding a colossal sum of money for supplies given and services rendered on account of His Majesty's Government and her Allies. They are estimated according to the Report on Currency and Finance issued by the Reserve Bank of India to amount to over 1,700 crores of rupees at the end of March 1944. What does India get in return for this sacrifice unparalleled in the history of the world? The gift of inflation, Gentlemen, and the priceless security of mere I.O.U.'s from Great Britain!

Debtor dictates when and if He should pay His Debt to His Creditor

Our Rulers tell us, Sir, that we are now a creditor nation. The creditor, in this case, however, cannot claim his just and normal right as to when and how the debtor shall repay the debt that is

due by him. This is perhaps the new moral standard of international justice, which the British Prime Minister has established for the exclusive benefit of India, in vindication of his determination not to liquidate the Indian Empire and to evade the application of the Atlantic Charter to this country. We were warned only a few days ago by a British official, speaking at the Pacific Relations Conference, that " if Indians are basing their plans for the industrialisation of their country on their ability to get within an early period the repayment of their balances in London and the rest of the Empire they will be disappointed." On the contrary, he made it clear that when the Indian army moves overseas, the Indian balances in London would be substantially increased. His Excellency the Viceroy observed at Calcutta, in his speech last December, that these debts would be honoured by Great Britain. He, however, emphasised the fact that that did not mean " that India will at once after the war receive a payment of so many hundred millions in cash. She could not spend such a sum in the international market if she did. The manner of payment of international debts incurred during the war will require much discussion and negotiation. I am quite confident that in these negotiations, the value and magnitude of India's contribution to the Allied war effort will be recognised; that her needs will be considered; and that the manner of liquidation will be arranged to meet her planned development ". It is not difficult to conceive on whose behalf and for whose interests Lord Wavell was speaking at Calcutta. Why should the repayment of the debt be made dependent on the value and the magnitude of India's contribution to the Allied war effort and why should the ability of the creditor to spend his own money be made the test as well as the condition precedent for the return of the money due to him? This unique, unjust and undreamt of demand by the debtor from his creditor that the creditor shall have to be bound over for good behaviour to the satisfaction of the debtor before the debtor can even think of repaying the debt enunciates a new doctrine of democracy, the democracy of the Churchill brand, based on a conception applicable only to the subject nations which are beguiled by the preaching of the Sermon on the Mount but are confronted with pointed muzzle from under the altar cloth. This is the real position on our economic front. Let us have no delusions about their gravity. Let us not be bullied by sweet and soothing words from influential and interested quarters. Let us put forth

our strenuous endeavours to minimise our risks and maximise our strength to safeguard the entire economic structure of India both today and in the future.

The Myth of India not Paying Fully for Her Defence exploded

The Finance Member remarked in one of his speeches in the Assembly last March that India " does not bear the full cost of the defence of India herself ". It is difficult to understand the significance of this categorical statement. While I do not propose to examine here today the new doctrine of " joint war measures " sprung upon the country by the Finance Member in his 1943 speech or the new elastic interpretation that he put upon the financial settlement between His Majesty's Government and the Government of India, I cannot help inviting your attention to the fact that the phrase " joint war measures " occurs nowhere in the financial settlement between His Majesty's Government and the Government of India. We cannot, however, afford to forget that new burdens to the tune of crores of rupees are imposed and are going to be further imposed on India in the name of the joint war measures. The amount actually spent and the amount estimated to be spent under the war measures taken by India during the last five years aggregates to a sum exceeding 700 crores of rupees. We will find that even this huge figure will reach a further height when the Finance Member tells us in his next Budget Speech what he has further spent under this head.

India, as you know, has no voice in the determination of her defence expenditure. India has no control over the recruitment, training, organization, officering and disposal of her defence forces. I wonder why the Indian army should be sent out of India for the defence of Imperial interests and be replaced in this country by the British army for her local defence. Apart from the fact that this procedure militates against the national prestige and self-respect of India, it involves India also into a huge financial loss. Even Sir James Grigg, when he was the Finance Member of the Government of India, had admitted it as a fact that if only the British part of the Indian army were Indianised, it would save India almost 7 to 12 crores of rupees per annum. The misfortune, however, today is that the European troops in India have been largely increased as a result of the war. The cost of their maintenance falls on India. It will, therefore, be obvious that with the British army several

times larger than what it would be during peace times in India. India's financial loss under this head is bound to be several times 12 crores of rupees per annum. As you all know, Churchill has already told the Members of the House of Commons that the strength of the British army in India today was the highest that it ever was in this country before. It is not difficult to draw the inference that he wanted his countrymen not to have any anxiety for the safety of British interests in this country. The policy of keeping British army in India in peace time and increasing its strength during the war, after raising a large number of Indian troops and sending them abroad shows that England completely distrusts India and wants to hold her down in Imperial bondage both today and for the future.

How the National Government of India will defend Her against the Invasion of an Enemy

We may be asked as to what would India do if Japan were to invade this country. We are told that the stupendous defence expenditure is necessary in India's own interests for the peace, prosperity and safety of her own people. May I point out that ability to defend one's own country is a true test of real sovereignty. India will be prepared to spend all the money that may be necessary for organisation and maintenance of her defence services on land, on sea, and in air, that she may consider necessary, if India were a free country. She then, will have the power and the freedom to organise the defence forces in the most efficient and economic manner entirely in her own interests. She will have the right to enter into alliance with other powers for their common defence on her own terms. Her army will no longer be officered by Britishers only. It will be the Indians who will form the defence forces. It will be Indians who will officer these forces. It will be Indians who would lay down the policy of defence. And it will be Indians who will lead their armies to victory. A free India will inspire the Indian to fight for his motherland. They will, then, feel like their British compeers, that they have a country of their own to live for as well as a country of their own to fight for—and if so necessary to die for. He will know that he is fighting for his own freedom. Today, however, that is not the case. Britain raises armies in India not for securing India's freedom, but for preserving and protecting her Imperial power. The huge man-power which India puts into the field, the colossal expenditure which India incurs, even at the cost

of privations, miseries and sufferings to her people, assist only in strengthening the chains of her subjection to Great Britain. That is why India protests against this huge expenditure. India wants the defence services to be entirely under the control of her own nationals.

National Government will develop Industries Essential to National Defence

Had there been a National Government responsible to the people in India during the war and had they decided to make India a belligerent, that Government would have seen to it that all the important industries which are essential to the effective defence of the country came into existence during the war. Motor cars, tanks and armoured cars would have been produced in this land. Aeroplanes, bombers and fighters would have been manufactured in this country. Merchant ships and naval vessels would have been built in India. Efficient schools and training centres would have been established under Indian direction and control for preparing air pilots, naval officers and army commanders for controlling and directing defence forces of this country. Today, however, everthing is under the British control. The army has been increased from about two lacs during peace time to 25 lacs during the present war. The entire control of this magnificent force rests with the British. Indians do not command. They are there only to carry out the orders. Is there any other belligerent country today which spends such huge sums of money for the defence forces without having either the slightest say in the matter of expenditure or any control of the policy which governs the organisation and disposition of the forces? India cannot be expected to spend huge sums of money under the plea of defence for strengthening the chain of Imperial bondage round her neck.

How Britain responds to India's demand for Freedom

It was, therefore, natural for the national leaders of India to ask the British Government as to what it was for which they were fighting the war. They had made it clear, from the very start, that if the war was fought " to defend the *status quo*, Imperialist possessions, colonies, vested interests and privileges, then India can have nothing to do with it. If, however, the issue is democracy and a world order based on democracy, then India is intensely interested in it." The leaders had crystallised their position in

unequivocal words. They had stated that " a free democratic India will gladly associate herself with other free nations for mutual defence against aggression and for economic co-operation. She will work for the establishment of a real world order based on freedom and democracy, utilising the world's knowledge and resources for the progress and advancement of humanity ". Great Britain made, however, no response. I say so with a due sense of responsibility, despite the Cripps' Offer. India wanted Great Britain to transfer real power from British to Indian hands. Instead of making any effective and friendly gesture in this direction and thus proving to the world that Great Britain was really fighting for democracy and for the establishment of real freedom in the countries which were fighting the war along with them, they put the beloved leaders of the nation, who had but asked that India should have freedom and independence, behind the prison bars. They are kept there in detention and subjection in spite of the universal demand in the country for their unconditional release. The love for the country is their only crime. Their demand for freedom for their motherland is their only guilt. And how does Britain respond? Non-liquidation of the Empire, non-application of the Atlantic Charter, non-release and non-convertibility of sterling balances and the continuance of Imperial preference is the answer given by Churchill to the demand for Purna Swaraj by the people of India. There is no political party in the country which does not want a National Government responsible to the people. Lord Wavell, however, characterised the present Government in his Calcutta speech as the National Government for India —a Government taking their instructions from Whitehall and not from the people of this country. It is difficult to criticise with restraint such an approach towards the problem of India's political freedom. Lord Wavell has told us " whatever the future constitution may be, the events of the past thirty years have shown to us that it must provide adequately for the defence of the country and Indian leaders will do well to consider this closely ". No patriotic Indian, however, will fail to assure his Lordship that a free India will provide fully in her own interest for the defence of her shores and her people, but they will do so not as at present under the control and domination of others but always in India's interests and in the spirit of friendship and co-operation with them. As business men and industrialists, we realise fully without India's political freedom we shall not have our own economic regeneration and national prosperity. Without our political freedom, we shall not be able

to evolve that national strength and that national organisation which may be essential for the national defence. Such forces of defence will be as essential for the protection of the people as for the protection of the country's trade, commerce and industry. That is why the commercial community throughout India today has been demanding the establishment of National Government responsible to the people, so that it may ensure the successful building up of a sound and progressive economic and industrial structure for India both for today and for the future.

How Government Plan can be detrimental to India's Interests in the Absence of a True National Government

That naturally leads me to consider, for a moment, what progress is being made for the working out of a national plan for India for the post-war period by the existing Government. Sir Ardeshir Dalal, Member for Planning and Development, has done his best during the last few weeks to inform the public about what the Government have been doing in this direction. While I appreciate this anxiety on the part of Sir Ardeshir to have a frank exchange of views with Provincial Governments and commercial bodies, in the formulation of the policy which should govern the plan which the Government would ultimately evolve, I cannot help remarking that it has not lessened the fears of the public for its eventual success for promoting the true national interests of India. While Sir Ardeshir does not differ with the universal opinion in the country that the establishment of a National Government responsible to the people is quite essential to the successful working of a national plan, he is naturally anxious to do whatever may be possible under the present regime for furthering India's interests. It is, however, India's misfortune that even Sir Ardeshir will not be able, in spite of his best intentions, to prevent, under the present Government, the creation of new non-national vested interests in the country. The manner in which the Government have been inviting experts after experts for advising them in the development of future industries and the action that they have taken in connection with the development of the Fertilizer Industry in this land have only increased the apprehension in the public mind that the present Government cannot serve the true national interests of India. To me it is, however, a matter of genuine regret and I am sure it will be so to you also that when a demand was recently made that whenever the Government wanted to hand over the industries started under their ownership and control

to private enterprise, they must be handed over to the nationals of the country and not to outsiders, Sir Ardeshir should have said that such a demand enunciated " a policy of expropriation ". I do not think there could be any justification to characterise the demand for handing over the industries built up and developed out of the taxpayers' money to the nationals of the country as an act of expropriation. Such a demand is not only natural, but it is also fair, just and equitable. We shall have, therefore, to remain extremely vigilant to see that those who are enthusiastic to do something for India's industrial development, even under the present Government, should not be allowed to create conditions and forces which might strengthen the political domination and the economic resources of foreign interests who have given the greater setback to the industrial regeneration of this country.

I drew your attention in my last speech to the vital necessity of giving protection to national industries against the internal competition by the " menace of India Limiteds ". The stability and expansion of the existing industries and the successful establishment of new industries in this land demand a categorical answer from the Government at this stage as to what action they propose to take and what protection they intend to give against the internal competition and menace from the foreign interests. Even as far back as 1916, the Government announced it as their policy that the Indian industrial development meant the development of industries by the nationals of the country and not the establishment of industries by foreigners in this land who used to export the products of such industries from abroad. For Sir Ardeshir to tell the public that such a demand would raise a constitutional issue which the present Government cannot deal with is no solution of this grave problem. It only emphasises the need of a National Government responsible to the people and lends powerful support to the contention that it might be in the interest of India not to make any commitments under the present Government which might prejudice the future national interests of India even at the risk of being held up to public ridicule for sitting idle and doing nothing.

Foreign Capital Detrimental to the Growth of Indian Industries

Another question of equally vital importance is the question of the investment of foreign capital in this country. We have had very bitter experience, during all these decades, of how the foreign

capital invested in this country has stifled our political aspirations and has created forces which have militated against India's political freedom. It is well-known that the India Limiteds, which have, taking advantage of the present half-hearted policy of protection, firmly established themselves in this country, are in fact the subsidiaries of foreign companies registered in this land. They have practically monopolised for themselves such industries as Chemicals, Automobiles, Rubber, Matches, Soaps, Cigarettes, Boots, Shoes, etc. They have thus been able, particularly in view of their superior financial resources, to stifle the endeavours of Indian enterprise in the same field, whether it was on a large scale or on a small scale.

Although Great Britain finds it difficult to repay the debt that is due to this country, her industrialists have shown willingness and even anxiety to invest further capital in the industries of this land. Some of them have claimed to secure " partnership on an equal basis " in the industrial regeneration of this land. I do not know how far some of the Missions, which recently went to the United Kingdom, have encouraged this desire of the Britishers to further exploit this country during the post-war period. It is, however, an irony of fate that Government spokesmen, including Sir Ardeshir Dalal, should have welcomed the further participation and co-operation of foreign capital in the future industrial expansion of India. Mr. Iyengar, Joint Secretary to the Planning Department, remarked in a recent broadcast that as long as foreign capital " does not entail foreign control to the detriment of India," it should be welcomed by this country. Without becoming cynical, one may ask Mr. Iyengar whether foreign control has ever been to the benefit of this or any other country. India's experience in the past is positively against such an assumption. No patriotic Indian can, therefore, ever believe that foreign capital has overnight become so altruistic and generous that it would, in the future, come to India only for India's salvation. The sooner, therefore, India makes it quite clear to the Honourable Member for Planning and Development and to the Government of India that it does not want the participation of foreign capital in the future industrial development of this country—unless it is needed and available in her own interest and on her own terms and under her exclusive control—the better it is for all concerned. This will stop the exploitation of India by foreigners. It will put its national economy on a sounder and more efficient basis in the future than it has been in the past.

Will Indian Capital be available for Indian Industries?

A question may, however, be raised whether it will be possible for India to find sufficient capital for the industrial development which it contemplates in the post-war period. No authoritative figures as to the amount of capital that will be needed for such development are yet available. The Bombay Plan, however, has estimated that the funds required for industrial development, both for fixed assets as well as for working capital, during the first fifteen years, will be about 4,480 crores of rupees. This means that India would require on an average nearly 300 crores of rupees per annum for this purpose. Cannot India find this amount from its accumulated wealth as well as from its future savings? If the Government of India could secure nearly 280 crores of rupees from the savings of the public for their loans in a single year, cannot the same savings be made available for investment in Indian industries, if confidence is inspired in the public that the Government of India would take all the necessary steps for their protection and future expansion? The way in which private Indian capital has responded to the call of Indian industries that were given protection in recent years, amply justifies the hope that Indian industries in the future will not suffer from lack of capital, provided, of course, that they are allowed to work and develop purely in the national interests of this country.

Present Policy of taxing Industries needs Radical Revision

Another matter which has been seriously exercising the mind of the industries is the policy of taxing industries. As I have dealt with this subject fully in the past, I do not propose now to go over the same ground again. There is, however, one point in connection with this vital question, to which I consider it my duty to invite your attention today. Sir Ardeshir Dalal does not seem to share fully the view of the commercial community that the existing policy of taxation does not enable industries to accumulate such reserves as would assist them in meeting the cost of re-equipment, rehabilitation and future expansion. The authors of the Bombay Plan in their Second Report, have, however, remarked that in any scheme of future taxation that may be evolved "it is necessary to emphasise that adequate remission should be granted in respect of the depreciation of the assets employed in production and that incomes

ploughed back for increasing industrial or agricultural production should also be granted similar remission". Satisfactory as this suggestion is, it is necessary to emphasise that the policy of taxing industries on the present scale does not leave with them the reserves which are badly needed both for re-equipment as well as for expansion. One may legitimately ask how the industries should finance their programme in the future for this purpose. For instance, if a spindle cost a Mill Rs. 50 and a loom Rs. 800 before the war, and if the same spindle were to cost that Mill Rs. 200 and a loom Rs. 2,500 during the coming years, can it be said that the policy of taxation has allowed the textile industry to accumulate such reserves as would enable them to finance their programme of rehabilitation and reconstruction? One should not expect that such programme should be financed by further borrowings. That is bound to affect the economic structure and the financial strength of the existing industries. It should not be forgotten that industries in other countries have financed their programme for expansion out of the profits that they have already made. Unless, therefore, the existing policy of taxing industries is so revised as would enable them to provide adequate depreciation, calculated on the basis of replacement, and would place them in a position to build up sufficient reserves after the payment of taxes for their future expansion, not only will the existing industries find it difficult to maintain their financial stability but it will also make it almost impossible for future industries even to withstand foreign competition in spite of protection. I would, therefore, most earnestly appeal to Sir Ardeshir Dalal, who has vast experience in these matters, to urge upon the Government of India to evolve such a policy of taxing industries in the future as will enable both the existing and the future industries to grow and expand out of the profits that might be made by them under the policy of protection, when necessary, in the true interests of this country.

Policy of Importing Consumer Goods should not be Inimical to the Growth of Industries Producing Them in India

The policy of the Government of India for the encouragement of the import of consumer goods has been creating serious concern in the country. When the Commerce Member announced that he would discuss this important question with the representatives of the Federation, it seemed that the Government of India were in right earnest to respect the considered views of the commercial

community in this matter. The recent announcement of Sir Akbar Hydari and his colleagues on the eve of their departure for the United Kingdom in this connection has shattered even the little hope that was entertained by the expected exchange of views which was promised by the Commerce Member. It is true that Hydari's Mission, as stated in the *communique*, will explore with His Majesty's Government " the extent to which war demands on India can be offset by help in other directions ". If these other directions, however, are to be determined, as observed by Sir Akbar on the basis of the conditions under which the other side, i.e. the United Kingdom is labouring, it is not difficult to imagine what those other directions will ultimately be. We shall be deluding ourselves if we believe that those directions will really be for the benefit of and in the interest of India. Moreover, the commercial community has been urging upon the Government the necessity of taking all possible steps for increasing the output of those goods which are produced within the country and of assuring the public that they will not import from abroad such goods as may compete with goods manufactured in this land at least in such quantities as would militate against the existing stability and future growth of Indian industries. Industries producing such consumer goods in this country have been allowed to suffer for want of machinery and spare parts need for their economic working as well as for the want of adequate supply of coal and lack of necessary transport facilities. It is, therefore, of vital importance that definite steps should be taken by the Government to help industries in the country in the matters referred to above before consumer goods of the type produced in the country are allowed to be imported even in quantities which are temporarily required. The attitude, which the Government of India have adopted hitherto, naturally fills these industries with serious concern about their future and the least that the Government should do immediately and even at this stage is to give the country a categorical assurance that no action shall be taken by them in regard to the conclusions that Sir Akbar Hydari's Mission might arrive at in respect of the import of goods from the United Kingdom to this country in the future unless the Indian commercial and industrial interests have been taken into their confidence in the matter and given a proper opportunity of expressing their views in connection with the same.

The Place of Indians in Post-war Burma—Immediate Facilities Required to proceed to Liberated Parts

Before I conclude, may I say that it is really very heartening to learn that the Indian Army has played a magnificent part in liberating large parts of Burma which were occupied by the enemy. The news that over 30,000 square miles of the territory in Upper Burma is now in the hands of the Allies and that the enemy has been driven away from Akyab, Kyaukyu and Ramree and a large portion of the hinterland behind those shores has revived the hopes of those of our countrymen, who have developed the trade between the two countries, of returning to that land at the earliest date possible. It is, however, unfortunate that the authors of the recent Blue Print for Burma, discussed in the House of Commons, desire to keep Burma as their special preserve by driving away all legitimate Indian interests from that country. They have expressed their satisfaction in gloating terms by remarking that " the general exodus of Indian immigrants has solved the major part of the alien problem in Burma ". The destruction of records proving titles of Indians to lands and properties in that country has been hailed by them as a circumstance favourable for enunciating a bold land policy in that country. They have suggested that such a situation should be utilised by the Burmese Administration to begin writing on a clean slate in this matter, as if they were going to do it for the first time since the conquest of that country in 1886. While they have emphasised the fact that full compensation should be paid by the Government of Burma to the British interests for the losses that they have incurred in that country as a result of enemy occupation, they have suggested to the future Burma Government that they should expropriate large Indian interests by depriving them of their land by the payment of only 30 per cent of its value in cash. In short, their suggestions are ethically wrong, economically harmful and politically mischievous and in every way repugnant to the true interests of Indians in post-war Burma. It is, however, some satisfaction that Sir Paw Tun, the first Adviser to the Governor of Burma, and U Tin Tut who is in charge of the Post-war Reconstruction Department have publicly announced that they would welcome the closest ties of alliance and friendship between Burma and India and that, as announced by the Governor of Burma, there was no intention of treating Indian business enterprise in Burma in a manner different from the treatment that would be accorded to British enterprise

in that country. We welcome this gesture of goodwill shown by the two Burman Ministers. Let us also assure them that Indians are anxious to see that both India and Burma should secure their political freedom in the fullest sense of that term. Let us further assure our Burman friends that till the time an *entente cordial* or a treaty for their mutual trade relations, defence requirements and other matters of common interest is concluded between a free Burma and the free India, Indian interests in Burma will do all they can to work in harmony and co-operation with the people of that land in furthering not only the trade and commerce between India and Burma in the future as in the past, but also in assisting the development of industries and such other nation-building activities as might enable both the Burmese and the Indians to live in peace, goodwill and plenty in that land. I understand that the Government of India are carrying on negotiations at present with the Government of Burma on the subject of immigration as well as on other questions of vital interest to the two countries. Let us, therefore, urge upon the Government of India the necessity of consulting such Bodies as are interested in problems connected with the status and position of Indians in Burma before they conclude any final Agreement on this subject and let us again urge upon the Government, particularly in view of our past experience in this connection, not to arrive at any final Agreement on the subject without the approval of the Central Legislature. In the meantime, it is a matter of supreme importance that all facilities should be made available to the Indians as might be made available to the Britishers for enabling them to proceed to those parts of Burma which might be liberated and might come under Military occupation, so that they might be in a position to re-start their business operations and to contribute their legitimate share in such work of reconstruction as might be carried out in that country during that period.

Mr. Mahomed Husein Hasham Premji, the incoming Vice-President, thanked the members of the Chamber for having elected him as Vice-President for the new year.

The proposition for the adoption of the Report and the Accounts was then put to the vote and carried unanimously.

The declaration of the results of the election of Office-bearers of the Chamber for 1945 was read by the Secretary, and the same was recorded.

Mr. Dhirajlal C. Modi proposed that Messrs. Devidas Vithaldas & Co. be appointed Auditors of the Chamber for the year 1945 and their remuneration for the work be fixed at Rs. 200.

The same was seconded by Mr. Chhotabhai S. Patel, and on being put to the vote carried unanimously.

Mr. Sarabhai Prataprai moved a vote of thanks to the Chair, and the same was seconded by Mr. Dhirajlal C. Modi.

Mr. M. A. Master, the incoming President, put the proposition to vote and the same was carried with acclamation.

The meeting then terminated.

CHAIRMEN OF THE INDIAN MERCHANTS' CHAMBER

1907—13	Sir Manmohandas Ramji.
1913—14	Sir Purshotamdas Thakurdas, C.I.E., M.B.E.
1914—15	Sir Fazulbhoy Curimbhoy, C.B.E.
1915—16	Sir Dinshaw Edulji Wacha.
1916—17	Sir Lallubhai Samaldas, C.I.E.
1917—18	Sir Vithaldas D. Thakersey.
1918—19	Sir Chunilal V. Mehta, K.C.S.I
1919—20	Mr. Jehangir Bomanji Petit.
1920—21	Mr. Lalji Naranji.
1922	Sir Purshotamdas Thakurdas, C.I.E., M.B.E.
1923	Sir Fazulbhoy Currimbhoy, C.B.E. (from 24-2-23 to 3-9-23).
	Mr. Devidas Madhowji Thakersey (from 4-9-23 to 25-1-24).
1924	Sir Manmohandas Ramji.
1925	Sir Phiroze C. Sethna, O.B.E.
1926	Mr. Lalji Naranji.
1927	Mr. Walchand Hirachand.
1928	Sir Shapurji B. Billimoria, Kt., M.B.E. (from 31-1-28 to 20-3-38).
	Sir H. P. Mody (from 30-2-28 to 17-7-28) and
	Mr. L. R. Tairsee (from 28-7-28).
1929	Mr. L. R. Tairsee.
1930	Mr. Hooseinbhoy A. Lalljee.
1931	Sir Chunilal V. Mehta, K.C.S.I.
1932	Mr. B. N. Karanjia (till November).
	Mr. Mathuradas C. Matani (November to January).
1933	Sir Manmohandas Ramji.
1934	Sir Mathuradas Vissanji, Kt.

1935	Mr. Manu Subedar.
1936	The Hon'ble Sir Rahimtoola Chinoy, Kt.
1937	The Hon'ble Mr. Govindlal Shivlal Motilal.
1938	Mr. Gordhandas G. Morarjee.
1939	Mr. J. C. Setalvad.
1940	Sir Chunilal B. Mehta.
1941	Mr. M. C. Ghia.
1942	Mr. J. C. Setalvad.
1943	Mr. Haridas Madhavdas.
1944	Mr. Pranlal Devkaran Nanjee.

Secretary : Mr. J. K. Mehta.

Assistant Secretaries : Mr. A. C. Ramalingam,
Mr. K. P. Daru, and
Mr. P. M. Shah.

CHAMBER'S REPRESENTATIVES ON PUBLIC BODIES—1944

Legislative Assembly (Central)

Mr. Manu Subedar, M.L.A.

Bombay Legislative Assembly

Mr. M. C. Ghia, M.L.A.

Board of Trustees of the Port Trust

1. Mr. Haridas Madhavdas (Cotton).
2. Mr. B. N. Karanjia (Piecegoods).
3. Mr. Ramdas Kilachand (Grain & Seeds).
4. Mr. M. A. Master (General).
5. Mr. J. C. Setalvad (General).

Bombay Municipal Corporation

Mr. Bhawanji A. Khimji.

Senate of the Bombay University

Mr. Mangaldas B. Mehta.

Indian Central Cotton Committee

Sir Chunilal B. Mehta.

Local Advisory Committee of Railways :

G. I. P. Railway

Mr. Madhavlal M. Bhatt.

B. B. & C. I. Railway

Mr. Chhotabhai S. Patel.

Advisory Committee of the Royal Institute of Science, Bombay

Dr. K. A. Hamied.

Advisory Committee of the Bombay Development Department

Mr. Manu Subedar.

Governing Body of the Indian Mercantile Marine Training Ship "Dufferin"

Mr. M. A. Master.

Indian Sailors' Home Committee

Mr. M. A. Master.

Board of Communications

Mr. Keshavprasad C. Desai.

Traffic Advisory Committee (Bombay)

Hon'ble Mr. M. N. Dalal.

Sydenham College Advisory Board

The Hon'ble Sir Rahimtoola M. Chinoy, Kt.

Ramniranjan Anandilal Podar College of Commerce

Sir Chunilal B. Mehta.

Provincial Transport Authority under the Motor Vehicles Act

Mr. J. C. Setalvad.

Advisory Committee under the Trade Marks Act

Mr. M. M. Amersey.

Committee to co-ordinate the Post-war Development of Bombay

Mr. M. A. Master (1945).

Provincial Industries Committee

Mr. M. A. Master (1945).

Indian Cocoanut Committee

Mr. K. M. Antia.

Panel of the Railway Rates Advisory Committee

1. Sir Purshotamdas Thakurdas, Kt., C.I.E., M.B.E.
2. Mr. Manu Subedar.
3. Sir Mathuradas Vissanji, Kt.

4. Sir Rahimtoola Chinoy.
5. Mr. Kapilram H. Vakil.

Panel of Employers under the Industrial Disputes Act

1. Mr. J. C. Setalvad.
2. Sir Chunilal B. Mehta.
3. Mr. Behram N. Karanjia.
4. „ M. C. Ghia.
5. „ M. A. Master.

AD HOC BODIES CONSTITUTED AS A TEMPORARY MEASURE FOR PURPOSES CONNECTED WITH THE WAR

War Supplies Advisory Committee, Bombay

Mr. M. C. Ghia.

Panel of Advisers re: Priority Recommendations for Import of Machinery (1942)

Mr. M. C. Ghia.

Yarn Advisory Committee

Mr. J. C. Setalvad.

Advisory Committee for Coal and Coke

Mr. Thakorelal H. Vakil.

Transport Board Advisory Panel

Mr. M. A. Master.

Committee re: Requisitioning of godowns

Mr. R. G. Saraiya.

Advisory Panel for transport of gunnies and hessians

Mr. Haridas Madhavdas.

Food Advisory Council

Mr. J. C. Setalvad.

Advisory Committee for exports of piecegoods & yarn

Mr. Haridas Madhavdas.

Advisory Committee re: Engineering Stores

Mr. N. W. Gurjar.
Mr. V. M. Meswani.

Committee re: Fixation of prices for imported textiles

Mr. Chimanlal B. Parikh.

Trade Panel re: Administration of the Hoarding & Profiteering (Prevention) Ordinance

Mr. Haridas Madhavdas.

Advisory Panel (Bombay) re: Paper Control & Distribution

Mr. Manu Subedar.

TRUSTEES OF THE CHAMBER

Mr. Gordhandas G. Morarjee.
„ J. C. Setalvad.
„ M. C. Ghia.
„ Chaturbhuj Gordhandas Soonderdas.
„ Behram N. Karanjia.

OFFICE-BEARERS FOR THE YEAR 1945

President:

Mr. M. A. Master.

Vice-President:

Mr. Mahomed Husein Hasham Premji.

Members of the Committee: Elected

1. Seth Pranlal Devkaran Nanjee.
2. „ Pratapsinh Mathuradas Vissanji.
3. Mr. Ratilal M. Nanavati.
4. „ Vijaysinh Govindji.
5. „ Ratilal M. Gandhi.
6. „ Sankalchand G. Shah.
7. „ Mangaldas B. Mehta.
8. Prof. Sohrab R. Davar.
9. Mr. Dawood Hajee Nasser.
10. „ Amratlal Kalidas.
11. „ Sarabhai Prataprai.
12. „ R. G. Saraiya.
13. „ Chimanlal B. Parikh.
14. „ B. M. Bhargava.
15. „ Mathuradas Canji Matani.
16. „ Chhotabhai S. Patel.

17. Mr. Dhirajlal C. Modi.
18. „ Panalal Maneklal Chinai.
19. „ Nandlal M. Bhuta.
20. „ B. S. Dabke.
21. „ Mohanlal A. Parikh.
22. „ Haridas Motilal Parikh.
23. „ Vallabhdas Vasanji.

Co-opted: (3 Individuals)

1. Sir Cowasji Jehangir, Bart.
2. Mr. Fazal Ibrahim Rahimtoola.
3. „ M. M. Amersey.

Association: 20

1. The Grain Merchants' Association (Mr. Velji Lakhamsi).
2. The Bombay Shroff Association (Mr. Shankerlal Chandulal Sura).
3. The Bombay Bullion Exchange Ltd. (Mr. Lachhmandas H. Daga).
4. The Maharashtra Chamber of Commerce (Mr. M. L. Dahanukar).
5. The Bombay Grain Dealers' Assocn. (Mr. Khimji M. Bhujpuria).
6. The Seeds Traders' Association (Mr. Ramdas Kilachand).
7. The Rice Merchants' Association (Mr. Dewjee Tokarsee Mooljee).
8. The Iron Merchants' Association (Mr. A. A. Jasdenwala).
9. The Chamber of Income-tax Consultants (Mr. Bhogilal C. Shah).
10. The Indian National Steamship Owners' Association (Mr. Ratanchand Hirachand).
11. The Bombay Kariana Merchants' Association (Mr. Khatau Vallabhdas).
12. Shree Mahajan Association, Ltd. (Mr. Venilal N. Patwa).
13. The Silk and Art Silk Mills Association, Ltd. (Mr. Ramdeo A. Podar).
14. The Africa & Overseas Merchants' Chamber (Mr. Hooseinbhoy A. Lalljee).
15. The Memon Chamber of Commerce (Mr. Mussa T. Meman).
16. The Memon Merchants' Association (Mr. M. I. E. Banglorevala).
17. The Bombay Bichromate Manufacturers' Association (Mr. Purshotamdass Popatlal).
18. The Association of Electrical Undertakings (Bombay Province) (Mr. N. C. Javeri).
19. The Association of Indian Importers of Dyestuffs (Mr. K. H. Kabbur).
20. The Indian Life Assurance Offices Association (Mr. G. H. Thakore).

Ex-Officio :

1. Mr. Manu Subedar M.L.A. (Central Legislative Assembly).
2. „ M. C. Ghia, M.L.A. (Bombay Provincial Legislative Assembly).
3. „ J. C. Setalvad (Bombay Port Trust).
4. Seth Haridas Madhavdas (Bombay Port Trust).
5. Mr. Behram N. Karanjia (Bombay Port Trust).
6. Sir Chunilal B. Mehta (Indian Central Cotton Committee).
7. Hon'ble Sir Rahimtoola M. Chinoy (Sydenham College of Commerce Advisory Committee).
8. Mr. Bhawanji A. Khimji (Bombay Municipality).
9. „ Madhavlal M. Bhatt (G.I.P. Rly. Local Advisory Committee).
10. Seth Chatrabhuj Gordhandas (Trustee of the Chamber).
11. Mr. Gordhandas G. Morarji (Trustee of the Chamber).
12. „ Keshavprasad C. Desai (Bombay Board of Communications).
13. Dr. K. A. Hamied (Royal Institute of Science Advisory Committee).
14. Hon'ble Mr. Manockji N. Dalal (Traffic Advisory Committee).

Mr. J. K. Mehta (Secretary).

„ A. C. Ramalingam (Assistant Secretary).

LIST OF JOURNALS AND PERIODICALS RECEIVED IN THE LIBRARY OF THE INDIAN MERCHANTS' CHAMBER

Quarterly

1. Journal of the Council for Scientific and Industrial Research (Australia).
2. *Journal of the Scientific & Industrial Research, New Delhi.
3. The Journal of the Indian Institute of Bankers.
4. *Round Table.
5. Journal of the University of Bombay.
6. Indian Journal of Social Work.
7. *India Quarterly, New Delhi.

Monthly

1. *Monthly Bulletin of Statistics issued by the League of Nations.
2. International Conciliation.
3. London Chamber of Commerce Journal.
4. Monthly Journal of the Liverpool Chamber of Commerce.
5. „ „ „ Manchester „ „
6. „ „ „ Bradford „ „

*Subscribed for by the Chamber.

7. The Commercial Review, Alleppey.
8. Southern India Commerce.
9. *National Geographical Magazine.
10. Mercantile Guardian.
11. *International Labour Review.
12. Bombay Labour Gazette.
13. Monthly Sea-borne Trade Return of British India.
14. Monthly Statistics of Cotton, Shipping and Weaving in Indian Mills.
15. Raw Cotton Trade Statistics.
16. Joint Stock Companies.
17. *Modern Review.
18. *Asia.
19. Indian Concrete Journal.
20. Monthly Review of the Lloyds Bank.
21. „ „ „ National City Bank of New York.
22. „ „ „ Federal Reserve Bank.
23. Mysore Economic Journal.
24. Tisco Review.
25. *Fortune (U.S.A.).
26. Safety News.
27. *Indian Textile Journal.
28. *Indian Home.
29. The Ceylon Trade Journal.
30. Journal of the Motion Picture Society.
31. Guaranty Survey.
32. *New Indian Antiquary.
33. Marketing in India.
34. Austral News.

Fortnightly

1. Insurance Review.
2. *Income-tax Report.
3. Journal of the Joint Stock Companies.
4. Public Information Series.

Weekly

1. *Economist.
2. *New Statesman and Nation.
3. *Commerce, Bombay.
4. *Indian Finance.
5. Indian Trade Journal.

6. Foreign Commerce Weekly (U.S.A.).
7. Industrial and Labour Information (I.L.O.).
8. *Eastern Economist.
9. *Bombay Government Gazette.
10. *Gazette of India.
11. Commerce and Industry.
12. *Roy's Weekly.
13. *Indian Social Reformer.
14. The Financial News.
15. *Kesari (Bi-Weekly).
16. Annalist.
17. *Capital.
18. *Time.
19. *Life.
20. China Information Bulletin.
21. *Forum.
22. *Blitz.

Occasional

1. Central Legislative Assembly Debates.
2. Council of State Debates.
3. *Publications of the International Labour Office.
4. Indian Tea Statistics.
5. Indian Coffee Statistics.
6. Indian Agricultural Statistics.
7. Wholesale Price of certain Staple Articles of Trade at Selected Stations in India.
8. *Publications of the League of Nations.
9. Bulletins issued by the United States Bureau of Labour Statistics.
10. Bulletins issued by the Government of Bombay, Department of Industry.
11. Bulletins issued by the Government of Bombay, Agricultural Department.
12. Bulletins issued by the Council of Agricultural Research Commonwealth of Australia.
13. Reports of several Chambers of Commerce and other Commercial Associations.
14. Reports of Tariff Board.
15. Publications issued by the Department of Commercial Intelligence and Statistics.

Gujerati Periodicals

1. Gujerati Punch (Weekly).
2. Khetiwadi Vignan.
3. Prasthan.
4. Majur Sandesh.
5. Suvas.

REPORT OF THE COMMITTEE

OF

THE INDIAN MERCHANTS' CHAMBER

For the year 1944 presented at the 37th Annual General Meeting of the Chamber held on 31st January 1945.

Your Committee have pleasure in presenting the 37th Annual Report of your Chamber. During the course of the year 46 meetings of the Committee and over 80 meetings of the various Sub-Committees were held, the work done being of a varied and important nature.

The subjects dealt with by your Committee have been grouped under the following main heads :—

(1) Transport and Communications (Page No. 1)
(2) Finance, Tariff and Taxation (Page No. 17)
(3) Trade, Industrial and Labour Legislation (Page No. 35)
(4) General Trade and Industry (Page No. 41)
(5) General (Page No. 78)

I. TRANSPORT AND COMMUNICATIONS.

International Civil Aviation Conference.

In their communication dated the 18th May addressed to the Government of India, the Committee invited the attention of Government to the holding of an International Civil Aviation Conference which would be convened during the year and urged that the Delegation sent from the Government of India to this Conference should also have as members non-official Indians enjoying the confidence of the public. It was pointed out

that the Indian Delegation which was proceeding to Washington to attend the International Monetary Conference was having non-officials associated with them. The Committee were aware of certain constitutional technicalities under which they would be told that such Delegations from all countries consisted of officials and, therefore, there would be no need for Indian non-officials to be associated with them. They informed Government, in this connection, that having regard to the peculiar constitutional position in India, it was essential that non-official Indians should be associated with such Delegations, as the officials representing Indian Government did not enjoy the confidence of the public. The Committee referred to the refusal of Government of India to disclose the unanimous decisions arrived at with regard to the Empire Air Conference to the Central Legislature and stated that if Government were mindful of the public which took great interest in these important decisions, they would make the public know of these decisions at the Empire Air Conference, with a view to enable the public to express views on such important matters. This would help the Indian Delegation proceeding to London for joining in the deliberations of the proposed International Civil Aviation Conference.

Government of India in their letter dated 7th June drew the attention of the Committee to the address delivered at the first meeting of the Reconstruction (Policy) Committee for Post and Aviation on 21st April 1944 by the Hon'ble Sir Mahomed Usman and added that the several points raised in the Committee's letter would receive the consideration of Government and that the views expressed therein had been fully noted by them.

The Committee in a further letter dated 19th June asserted that the following two points which were stressed by the Committee in their letter were not explained, viz.:—

(1) the nature of the conclusions reached at the Empire Air Conference which were characterised by Lord Beaverbrook as unanimous, and

(2) any further views and policies which might have been formed in view of these unanimous conclusions and enunciated in common with other parts of the British Commonwealth.

The Committee in this connection also referred to the representation given on the World Monetary Conference and asserted

that a similar procedure ought to be followed for a representation at the Empire Air Conference.

The Committee also referred to the necessity of establishing and developing an aircraft industry in India and said that hardly any reference was found in the speech of the Hon'ble Member delivered at the Reconstruction (Policy) Committee. In conclusion, the Committee felt that full publicity be given to the plans and policies in connection with the Empire Air Conference and that India be secured along with other nations an equitable share in the world air transport.

Government in their reply dated 22nd July 1944, observed that the nature of the conclusions reached at the Empire Air Conference and any further views and policies which had been formed were of a provisional nature and were confidential in character for the time being. They observed that informal exploratory talk of a bilateral character was now taking place between the representatives of certain of the Allied Nations with a view to find a suitable basis for the holding of the International Air Conference. As regards the representation of non-official Indians to the Conference, Government informed the Committee that this aspect would depend on the agreement of the nations who would be attending the Conference and assured that the views of the Chamber would receive their due consideration when the question of representatives at the Conference would be discussed.

On the question of the possibilities of building up an aircraft manufacturing industry in India after the war, Government informed the Committee that a plan for the development of Air Transport and other aspects of aviation would not in themselves provide an economic basis for an aircraft manufacturing industry in the foreseeable future. The requirements of aircraft for Defence was a matter for the War Department and there would be a full collaboration between the two departments, when conditions permit. In conclusion, Government assured the Committee that they had definitely in view that they would accept responsibility for providing the ground organisation and other allied services on all main routes so as to enable civil air transport services to function, and it was their intention to promote the development of all such services on rational and economic lines.

Carriage of Goods by Countrycrafts.

The attention of the Committee was drawn to the difficulties experienced by the owners of countrycrafts in connection with the absence of any definite rules and regulations regarding the carriage of goods by countrycrafts. The Committee decided to refer the matter to the Controller of Indian Shipping with a request to place the same for consideration of the Countrycrafts Advisory Committee for such action as they might deem necessary.

Rules and Regulations regarding Movement of Cargo by Countrycraft.

The Committee in their telegram dated 14th August 1944 to the War Transport Department referred to the increased traffic being carried by countrycraft and the necessity to evolve Rules and Regulations for the safety of the craft and in regard to the conditions under which cargo was carried by countrycraft. They referred in this connection that before granting licence, the craft plying on the coast should be examined in respect of its carrying capacity to avoid cases of jettison and other damage to cargo done in the craft. They suggested that Rules and Regulations should be made in consultation with the interests concerned.

Route System for Countrycraft Traffic.

In a telegram dated 11th August 1944, addressed to the War Transport Department, Government of India, the Committee referred to the decision of the authorities regarding movement of cargo by countrycraft on west coast during the ensuing season, whereunder cargo was to be carried under a Route scheme laid down by the authorities. The Committee observed that the underlying principle of Route scheme was to restrain nationals of India from plying their countrycrafts wherever they liked on coast and added that the procedure was in glaring contrast to the continuous opposition of Government reserving coastal trade for nationals of the country. The Committee regretted in this connection that while formulating the scheme referred to above, the authorities did not consult the commercial interests when such vital changes had to be brought into operation. The Committee in conclusion protested against introduction of Route scheme and urged upon the Government to allow cargo to be moved by countrycrafts freely in future as in the past.

Waivure of Dock Extra Charges for the days covered by the Floods in Gujerat.

At the instance of a Member firm, the Committee addressed a letter to the Chairman, Bombay Port Trust, on the 16th September 1944, requesting him to waive the extra charges usually levied under the rules after the expiry of the free period, because the consignees were not in a position to arrange removal of the goods within the specified time on account of the dislocation in the transport arrangement as a result of heavy floods. In this connection, they also referred to the precedents for such relief given in the past to regard the additional days as *dies non* for purposes of wharfage charges.

Post-war Long Term Planning of Sites for Wadi Bunder and Carnac Bridge Goods Depots.

The General Manager, G.I.P. Railway, in his letter dated 10th October 1944, referred to the post-war long term planning of sites for Wadi Bunder and Carnac Bridge Goods Depots and invited the views of the Committee on the following main points :—

(1) That there is no need to maintain two separate goods depots if and when the two railways are amalgamated, and that the Carnac Bridge should be closed.

(2) That the land made available by the removal of Carnac Bridge depot should be used, together with the land evacuated by St. George's Hospital, for an expansion of facilities at Victoria Terminus.

(3) That all inward and outward goods traffic in full wagon loads, except traffic which is dealt with at Bombay Central, should be dealt with by the B.P.T. Railway.

(4) That the G.I.P. Goods Depot at Byculla should be used for outward piecegoods traffic both in full wagon loads and in smalls.

(5) That the Wadi Bunder Goods Depot (the capacity of which is approximately 450 wagons a day) should be used for all other inward and outward goods traffic in smalls.

The Committee in their reply dated 22nd November pointed out that they were not in a position to offer satisfactory suggestions in the absence of proper statistical data. While

giving their opinion on the points raised in the letter from the Manager of the G.I.P. Railway, the Committee made the following observations :—

(1) Removal of Carnac Bridge Goods Depot would cause great hardship to the commercial community.

(2) The proposal regarding the B.P.T. Railway handling all traffic in full wagon loads was not acceptable.

(3) The Committee had no objection to the outward piece-goods traffic being handled at the G.I.P. Goods Depot at Byculla.

Future of Road Transport and Road Rail Relations.

The Hon. Secretary of the Indian Roads and Transport Development Association Ltd., Bombay, had forwarded to the Committee of this Chamber a copy of the report of the Technical Sub-Committee to the Sub-Committee on Transport on the future of Road Transport and Road Rail Relations, and had invited the views of the Committee on the recommendations made by the Technical Sub-Committee. The Committee in their reply dated the 15th September 1944, observed that they had examined the main conclusions and recommendations contained in the report of the Sub-Committee and stated that before expressing their views on the various recommendations, they would like to await the recommendations of the Policy Committee of the Reconstruction Committee on matters relating to Transport problems.

Restrictions on Passenger Travel.

In their communication dated 1st June 1944, addressed to the War Transport Department, Government of India, the Committee referred to their previous correspondence in connection with the reduction in passenger services and the consequent overcrowding in passenger trains and pointed out that as a result of this congestion, fatal accidents were on the increase. Under the circumstances, the Committee stated that the "Travel Less" Campaign started by Government was not a useful propaganda, as the conditions on the railways would themselves deter the public from undertaking travel except under compelling circumstances. Besides, the poverty of the country would never allow the public to travel as they pleased. Travel, in fact, in these days was an

ordeal which was undertaken when necessary and not for any joy riding. The Committee regretted that while Government propagated a "Travel Less" campaign, they were allowing the military services to undertake holiday travelling to places like Kashmir and Ootacamund. The novel idea of Government to discourage travel by issuing posters and such publicity would not result in the aim being achieved. The Committee, in this connection, also drew the attention of Government to a responsible advertising agency "booking for next seasons holidays in the hills." The Committee pointed out that while travelling was made difficult for the poor sections of the travelling Indian public, it was made easy for non-Indian sections and richer class of Indians. Government were requested to take into consideration this incongruity especially in regard to their "Travel Less" campaign and try to meet the wants and requirements of the travelling public providing them with the necessary amenities of railway travel by increasing both the number of passenger vehicles and passenger trains.

Insufficient Courses supplied in Railway Restaurants.

In their communication dated 23rd November 1944, addressed to the Chief Traffic Manager, G.I.P. Railway, the Committee drew the attention of the authorities to the insufficient courses supplied to passengers in the railway restaurant car. They also referred, in this connection, to the restriction in the number of courses but pointed out that the quantity supplied to the passengers was not sufficient and therefore requested to provide adequate menu to the travellers.

Disorganization in the Suburban Service of the B.B. & C.I. Railway.

The Committee in their letter dated 8th December 1944, addressed to the Manager, B.B. & C.I. Railway, referred to the serious situation caused by the continued disorganization in the B.B. & C.I. Railway Suburban Electric Service, as a result of which a large number of passengers coming from suburbs and going thereto were put to great inconvenience. The Committee in this connection referred to the press notification issued by the company advising passengers to stay in Bombay if the same was possible. The Committee expressed their amazement at the suggestion made by the company when it was understood that a large number of people

numbering over 3 lakhs were not finding accommodation and had to adjust themselves to the acute shortage of house accommodation. The Committee requested the authorities to come to a satisfactory settlement with the strikers and thus arrange to run the normal fleet of train service as in the past. They also sent a telegram to the Department of War Transport, Government of India, referring to the same aspect and requested the authorities to come to an immediate settlement with the workers.

Increase of Passenger Fares on Railways.

In their telegram dated the 19th January 1944, addressed to the Government of India the Committee referred to the proposal to increase the passenger fares on railways and protested that in view of the colossal receipts of railways and the increase in fares already affected in the beginning of the war, the proposal to still increase the same was most unjustified. In their opinion, such increases were tantamount to direct taxation. They feared that if the object of Government was to check travel by such increases, the same would not be realised as in the opinion of the Committee as there was no unnecessary travel undertaken by the Indian public in view of the present congested traffic on the railways.

Classes of Coaches of Passenger Trains.

The Railway Board in their letter dated 22nd May invited the views of the Committee on the post-war reconstruction on railways in regard to the provision and improvements of passenger coaches and amenities at railway stations. It was suggested in the letter under reference that the trend of opinion appeared to favour retention, with some improvements, of three classes in the post-war period, viz. : First, Second and Third Classes corresponding in equipment, and accommodation to the present Second, Inter and Third Classes and special air-conditioned coaches to be run on inter-provincial or other important trains for luxury travel. The Committee in their letter dated 29th June observed that the data provided in Government's letter under reference was not sufficient to enable them to give definite views on the points raised in the Board's letter. They however, were of opinion that the standards of the First Class should not be lowered to that of the Second Class and felt that the Third Class passengers had helped the

railway administration and therefore in any scheme of post-war reconstruction the question of providing amenities to the lower classes should not be lost sight of. In conclusion, the Committee observed that before Government approved of any scheme, the same should be circulated to Chambers of Commerce and other public bodies for their suggestion and views.

Rounding off of Fares—Shortage of Small Coins.

In their letter dated the 16th November addressed to the Manager, G.I.P. and B.B. & C.I. Railway, the Committee referred to the question of the practice of rounding off of fares to the next higher half-anna followed so far and urged that in view of the appreciably improved position in the supply of small coins, Railway authorities should issue instructions at all stations to charge exact fares. The Manager, B.B. & C.I. Railway, in his letter dated 13th December 1944, informed the Committee that while there had been recently an all round improvement in the general small coin position, the shortage of single pice still continued as demand for the coin was in excess of the capacity of the mints and assured the Committee that every endeavour was being made to increase the outturn and to overcome the scarcity.

Increase in Bus and Tram Accidents.

In a letter dated 27th June addressed to the Government of Bombay, the Committee drew attention of the authorities to the abnormal increase in the tram and bus accidents as a result of rash and careless driving of military vehicles. They gave certain instances of avoidable accidents and pointed out that if the authorities did not take the situation seriously the transport arrangements in the city were likely to be paralysed to a large extent. They, therefore, requested the authorities to take immediate steps to meet the grave traffic condition resulting from the reckless and irresponsible handling of military vehicles. Government in their reply dated the 6th July stated that the matter was receiving the serious attention of Government and the Military authorities concerned and added that the Chamber might rest assured that all possible steps were being taken to reduce the number of accidents.

Wagons for Transport of Earthen-ware Pipes and Fittings, etc., from Ahmedabad to Bombay.

At the instance of a member-firm the Committee addressed a letter to the Board of Transport, Bombay, requesting them to grant adequate transport facilities to Messrs. Nowrojee & Vakil for transport of earthen-ware pipes and fittings, etc., from Ahmedabad to Bombay. The Committee referred to the inconvenience which the firm was experiencing in the absence of transport facilities and requested them to do the needful in the matter.

Transport of Fire Bricks and Fire Clay from Ahmedabad to Bombay.

The Industrial Engineering Co., Bombay, represented to the Committee that facilities with regard to the transport of fire bricks and fire clay from Ahmedabad to Bombay was refused to them as a result of which a large clientele of theirs in Bombay including cotton mills, steel works, oil mills, etc., were affected. The Committee requested their representative on the Transport Board to urge their case before the Board.

Difficulties in Transporting Tobacco from Nadiad to Gondia, Tirora, etc.

The Committee addressed a letter to the Board of Transport, Bombay, on 1st December 1944, in which they referred to the difficulties which Messrs. R. M. Patel & Co., were experiencing in the matter of transporting tobacco from Nadiad to the stations mentioned above. The Committee requested that necessary facilities be provided to transport tobacco from the producing centre to the consuming centres.

Priority for Movement of Supplies of Groundnuts.

At the instance of Messrs. Marsland Price and Co., Ltd., the Committee on 5th January 1944 addressed the Board of Transport urging that the firm should be given priority of 25 wagons for moving groundnuts from Latur station to Diksal station, as part of the oil crushed therefrom was sold in Bombay and the oilcakes produced in the mill were used as manure in their sugarcane plantation.

Classification of Edible Oils for the purpose of Transport Priority.

The Committee in their communication dated 19th April requested the Railway Board to revise their existing classification of edible oils for purposes of transport priority and place such oils in the category of foodstuffs and give them a higher priority. The Chief Controller of Railway Priority in his reply dated 22nd May observed that it was not considered by Government that the general movement of groundnut oil was of the same essentiality and urgency as the movement of essential foodstuffs and by placing the commodity in a high classification, all movements of the commodity irrespective of the use to which it would be put to, would receive a very high priority which would result in a reduction of supply of wagons available to other essential traffic. He, however, informed the Committee that if any movement of groundnut oil or other oils which was urgent and essential would be given priority by the Regional Controller of the area concerned if in his opinion he thought such a priority was justifiable for additional assistance.

Empty Tank Wagons for loading Linseed Oil, Mowa Oil, etc.

The Committee in their letter dated 12th February addressed the Transport Board and requested that Messrs. Hirji Govindji & Co., might be granted facilities for loading linseed and mowa oils in empty kerosene tank wagons returning to Bombay from certain stations on the Bina-Katni Line on the G. I. P. Railway.

Restriction on Exports of Coconut Oil from Bombay.

In their communication dated the 25th January addressed to the Government of Bombay, the Committee at the instance of the Bombay Oil Merchants' Association represented that as the supply position of coconut oil in Bombay was satisfactory, exports from Bombay to upcountry places in the presidency should be allowed. Government in their reply dated 28th January informed the Committee that arrangements had already been made in consultation with the District Magistrates to move a large quantity of coconut oil to the Districts in this Province.

Restriction on Export of White Edible Copra from the City and Suburbs of Bombay.

As published in the Annual Report of the Chamber for the year 1943, the Committee had addressed the Government of Bombay requesting for the removal of the restriction placed on the export of edible copra from the limits of Bombay City and Suburbs. Government in their reply dated 2nd February informed the Committee that a notification had already been issued removing the restriction complained of.

Transport Arrangements for Linseed and Groundnuts.

As published in the Annual Report of the Chamber for the year 1943, the Committee had addressed the Government of Bombay stressing the advisability of making available wagons for bringing edible seeds to Bombay. They had also informed Government that if considerable quantities of groundnuts could be exported outside India, arrangements should also be made to supply the requirements to edible oilseeds to Bombay. They had also requested the Government of Bombay to take up the question of prohibition of exports of groundnuts from other ports with the Government of India as the said exports were already prohibited from Bombay.

Government in their reply dated 10th January informed the Committee that the ban on the exports of groundnuts from Bombay was enforced in the interests of the crushing industry. They however regretted that they could not take up this question with the Government of India as they were not in possession of facts.

Restrictions on Export of Cotton Seed from Broach District.

In their communication dated 22nd January addressed to the Government of Bombay, the Committee referred to the ban put by the District Magistrate of Broach on the export of cotton seeds from the district and stated that as a result of this ban, difficulties had been caused to merchants concerned. It was pointed out that no such ban operated either in the Surat District or in Baroda territory. The result of this ban was that it had reduced the prices of cotton seeds in Broach District. The seeds were not useful for crushing purposes and were generally used as cattle food in Ahmedabad and Kaira Districts and therefore the ban was causing avoidable hardship. Besides the new season for ginning would

start very soon and it was necessary that the accumulated stocks of the last season should be disposed of to make room for the new crop.

Transport of Rape Seed, Linseed, etc., from Bombay to Madras.

As published in the Annual Report of the Chamber for the year 1943, the Committee had recommended to the Transport Board, facilities for movement by rail of rape seed, cumin seed, etc., from Bombay to stations in the South for which no sea route was available. The Board in their reply dated 31st December 1943, informed the Committee that as Bombay was not a producing centre in respect of such seeds and as the commodity was being imported from upcountry places, re-booking facilities desired by the Committee could not be made available. It was stated that Madras could easily obtain these seeds direct from the sources of supply.

The Committee in their reply dated 13th January 1944, observed that even though Bombay was not a producing centre, it was a chief distributing centre of these seeds and as such if facilities for transport were not given the trade concerned would suffer heavy losses. Government, however, were not agreeable to the request of the Committee.

Restrictions on Movement of Wagons for Hemp.

The Committee in their letter dated 10th February addressed to the Transport Board requested that booking facilities on B. N. Railway should be given for transporting Hemp from producing centres to Bombay for purposes of export outside the country. It was stated that if the above facilities were not conceded, the Bombay merchants concerned would lose their foreign markets in respect of hemp.

Movement of Tobacco from Gujerat to Calcutta and Madras.

In their communication dated 5th January 1944, addressed to the G.I.P. Railway, the Committee referred to the earlier advice to the effect that tobacco had been given high priority vide Item 3DJ on the Railway Priority List and stated that the booking facilities for movement of tobacco from Anand to Calcutta and to Madras were not still made available to merchants concerned since the last six months. It was pointed out that as a result of the new harvesting season the new crop was being added to the already

existing stocks and trade was suffering at both ends. It was urged that the high priority mentioned above should be made operative and the grievances of the merchants removed.

Difficulties re: Manufacture and Marketing of Tooth-paste in India.

In their communication dated 6th January 1944 addressed to the Government of India the Committee drew attention to the difficulties experienced by manufacturers in securing supplies of essential chemicals and other materials for the production of tooth-paste. They referred to the high prices of raw materials required for the manufacture of tooth-paste many of which were imported from abroad. On the one hand, large imports of foreign tooth-pastes were allowed to enter the country, while Indian industry was not allowed facilities to import raw materials necessary for the manufacture. It was, therefore, urged that import permits should be made available to the industry for securing essential raw materials from abroad to enable the industry to continue their work.

In another communication dated 22nd January 1944 in the same connection the Committee urged Government to allow facilities for importing collapsible tubes which were necessary in the marketing of the product. It was urged that this was very necessary in view of the fact that large imports of finished goods were being allowed into the country while the import of raw materials for the use of the indigenous industry was restricted.

Booking of Tea from Ahmedabad to Anand, Cambay, Godhra, etc., Stations.

The Committee addressed a letter to the Bombay Government on 6th September 1944 supporting the representation made by the Ahmedabad Tea Merchants' Association, regarding difficulties experienced by them in connection with the transport of tea from Ahmedabad to stations referred to above. The Committee suggested that tea in chests should be classified in the same class of priority as is given to Lipton and Brooke Bond Tea, and that tea merchants in Ahmedabad should be allowed to possess larger quantity of stock than what they are permitted now under Government orders.

Transport of Raw Hides.

In their communication dated 30th March addressed to the Regional Controller of Railway Priorities, the Committee

requested that facilities should be granted to picker and buffer manufacturers near about Ahmedabad for obtaining raw hides from the various producing centres such as Bareilly, Cawnpore, Peshawar, etc. It was stated that pickers were an important loom sundry used in the manufacture of cloth. It was urged that the facility for the transport of raw hides from producing centres should be granted to the manufacturers in the interest of the Textile Industry.

Difficulties re: Booking of Goods from Bombay to other Stations in India.

At the instance of Messrs. Hind Cycles, Ltd., the Committee addressed the Regional Controller of Railway Priorities on 12th February drawing attention to the difficulties the company was experiencing as a result of want of transport facilities required by the company for fulfilling their upcountry orders. It was also stated that as a result of transport facilities being withheld, large stocks had accumulated resulting in a large amount of money being frozen. It was urged that the company should be granted the necessary transport facilities.

Booking of Railway Parcels.

In their letter dated 16th May addressed to the Chief Traffic Manager, B. B. & C. I. Railway, the Committee referred to the difficulties experienced by merchants with regard to the booking of parcels at the Parcel Office at Grant Road as also at the Kalbadevi Booking Office. It was stated that owing to great rush for booking, the staff at the booking offices was not able to cope up with the work as a result of which many persons had to return the next day for booking their parcels. The Committee urged that additional staff should be provided at the booking centres in order to get the parcels disposed off within the working hours.

The Chief Traffic Manager in his letter dated the 19th July 1944 observed that a quota of 200 parcels per day had been fixed for each city booking and against this number all kinds of parcels were accepted and promptly dealt with. He also referred in this connection that the quota of 200 parcels had never been fully utilised and as such he found no necessity to appoint extra staff as suggested by the Committee of the Chamber.

Difficulties in Booking Seeds Parcels.

At the instance of Messrs. Pestonji P. Pocha & Sons, Poona, the Committee addressed a letter on 3rd August 1944, to the Railway Board requesting them to classify seeds used for the purpose of growing fruits and vegetables in a higher class of priority so as to enable merchants dealing in seeds to obtain wagons for transporting seeds from producing to consuming centres. While on this subject they had also suggested the authorities to release greater tonnage of steel to manufacture wagons in order that the increased number of wagons may be used for the civilian requirements in despatching goods from producing to consuming centres.

The Chief Controller of Railway Priorities in his letter dated the 6th September 1944, observed that the movement of seeds had already obtained very high standing priority over most railways and arrangements had been made that if any difficulty was experienced in despatching seeds or other commodities in connection with the "Grow More Food" campaign, the matter be represented to the Provincial Government who would arrange with the correct transport authorities for essential transport. As regards the suggestion of the Committee to release a greater tonnage of steel for manufacturing wagons, the Railway Board in their letter dated the 27th August 1944, assured the Committee that they were fully alive to the necessity of building more wagons and that with this end in view they had been utilising the capacity of the wagon builders to the fullest extent releasing the necessary steel required for the purpose.

Maximum Weight of Inland Postal Parcel.

As published in the Annual Report of the Chamber for the year 1943 the Committee had addressed the Government of India suggesting 440 tolas as maximum limit for inland parcels instead of 160 tolas as reduced by Government. Government in their reply dated 10th January informed the Committee that the reduction was made on account of traffic difficulties and the same was of a temporary nature.

Delays in Postal Deliveries.

In their communication dated 21st December addressed to the Post Master General, Bombay, the Committee referred to the

delays in postal deliveries and requested that strict instructions should be issued to the postal staff to expedite deliveries at scheduled times. The Committee also suggested that the departmental investigation might be instituted to find out the underlying cause or causes of this feature which was causing great inconvenience to the business community.

Timber Transport Advisory Committee.

The Committee addressed a letter to the Secretary, Board of Transport, Bombay, and referred to their letter dated the 29th August 1944, in connection with the panel for the Timber Transport Advisory Committee which was constituted in January 1944, and suggested that representation should be given to trade, commerce and industry to voice their grievances and difficulties in regard to timber transport.

II. FINANCE, TARIFF AND TAXATION.

Government of India Budget for the Year 1944-45.

In their telegram dated 1st March 1944, the Committee submitted their views on the budget of the Government of India for the year 1944-45 introduced by the Hon'ble the Finance Member in the Central Legislature, a brief summary of which is as under:

It was pointed out that the basic expenditure on Defence, viz. 36.77 crores had increased to over 301 crores including items accounted in the Capital Account. Since the commencement of the war the country would pay 1,068 crores for the Defence. Civil expenditure had risen from 37.5 crores in 1939-40 to 86.57 crores in 1944-45. In view of such phenomenal increases in expenditure due directly to war, the Committee emphasised that the agreement regarding the allocation of total Defence expenditure should be reconsidered. It was felt that the attempts of the Central Government to check the inflationary position were not enough to tackle the problem at its very root. As long as Government had not found ways and means to create rupee finance for allied war operations without dragging the country into inflationary position the present economic disturbance in the country would

not be adjusted, and the inflationary position would get from bad to worse. Encouragement of the manufacture of consumers' goods by the indigenous industry would be a great help in solving the problem of inflation and it was pointed out that imports should be allowed only of necessary raw materials and capital goods instead of finished consumers' goods. Increases in the Central surcharges on income-tax, super-tax and Corporation tax were objected to while a suggestion was made that exemption limit for income-tax should be increased to Rs. 3,000. The increase in Corporation tax should not be applied in case of private limited companies who were compelled under the Act to distribute 60% of their assessable income. The Committee objected to the imposition of Death Duties and pointed out that great difficulties would arise in case of assessment of Hindu Joint Family as also in cases where Succession Duties under certain circumstances were exempted. The tax ceiling proposed on Life Insurance companies should be reduced to 45½ pies. They strongly protested against the imposition of excise duties on Tea, Coffee, Tobacco, Betel Nuts, etc. Regarding sales of gold at higher prices by U. K. and U. S. A. in India it was suggested that the profit accruing from the same should be credited to the Government of India and not to His Majesty's Government or the American Government. They emphasised that the whole of Dollar resources accruing from India's exports should be credited to the proposed Dollar Fund.

Railway Budget for the Year 1944-45.

The Committee in their telegram dated 17th February submitted their views on the Railway Budget introduced in the Central Legislature by the Hon'ble Sir Edward Benthall, Member for War Transport, Government of India, a brief summary of which is as under :

At the outset the Committee stated that it had become the usual feature in the annual Railway Budgets to under-estimate the revenues. They drew attention that with the expected surplus of Rs. 43.77 crores for 1943-44, the total amount of the surpluses from the outbreak of the war would exceed 139 crores contributing over 89 crores to the General Revenues. This would be further swelled by the expected surplus of 52.21 crores estimated for 1944-45 with a further contribution of 31 crores to the General

Revenues. Having regard to such huge accruals the imposition of a levy of 25% on passenger fares was unjustified. The inequity was more glaring in view of the fact that many important trains had been cancelled and privations for passengers had increased. The plea of the War Transport Member that the extra revenue earned from the levy would be utilised for providing amenities for the third class passengers could not be considered seriously as Government had enough resources to help third class passengers if they had a mind to do so. Besides, it was apprehended that the increased revenue would be squandered away by Government and it would be no help in checking inflation as explained by the Hon'ble Member. The programme of Government for importing large numbers of locomotives and wagons would contradict their expressed policy of constructing locomotives in India. It was urged that the 25% levy on passenger fares should be dropped and that they should implement immediately their desire for providing amenities for third class passengers. It was urged that if shipping space could be made available for imports of large numbers of locomotives and wagons, it was in the interests of the country to utilise such space for the importation of plant and machinery for constructing locomotives in the country itself.

Interview with Members of the Central Board of Revenue.

The Income-tax Sub-committee of the Chamber had an interview with Sir John Sheehy, C.S.I., I.C.S., Member, Central Board of Revenue, and Mr. C. W. Ayres, C.I.E., Excess Profits Tax Adviser to the Board, on 30th August 1944, when the following points were discussed: (1) Taxation policy and Industries. (2) Concessions to assessees who suffered by the recent explosions and the consequent fires resulting therefrom in Bombay. (3) Assessment of amounts received or brought over from overseas countries. (4) Taxation of foreign profits. (5) Set off of losses—interpretation of the term "same business." (6) Provision for relief in over-assessment. (7) Tax on income accruing to non-resident through transactions in British India. (8) Commission Agents and purchases for non-residents—liability to tax. (9) Minimum Standard—E. P. T. (10) Subsidiary Companies. (11) Borrowed Capital.

Interview with Sir Chintaman Deshmukh, Governor, Reserve Bank of India.

The Committee had an informal meeting with Sir Chintaman Deshmukh, Governor, Reserve Bank of India, on 24th April 1944 when discussion on the following subjects took place :

1. Banking Legislation
2. Promotion of New Banks
3. Exchange Business
4. Indigenous Bankers
5. Sales of Gold and Silver
6. Widening of the definition of Eligible Papers
7. Renewal of Government Securities
8. Indian Bankers Association
9. India's Sterling Balances, and
10. The Bombay Fire calamity.

International Monetary Fund.

The Government of India by their letter dated 26th April invited the views of the Committee on the statement of principles for an International Monetary Fund. The Committee in their reply dated 13th June forwarded their views emphasising mainly the following points :

1. that it was necessary for the success of any arrangement or plan to give due recognition to the special requirements of the countries which were economically backward ;

2. that the Committee were not in a position to know whether the Government of India had taken part in these discussions in connections with the same ;

3. that the non-official representatives who would represent India be deemed as full fledged delegates entitled to represent the view point of the country and to take part in its deliberations in all its stages ;

4. that the question of sterling balances should be included as part of any proposals for the future international collaboration ;

5. that His Majesty's Government should begin negotiations with the Government of India for the satisfactory disposal of these sterling balances ; and lastly

6. that at least two of the seats on the Committee of Management should go to Asiatic countries, and at any rate, India should have a direct representation on the Executive Committee; and that they were in general agreement with the views expressed by the Committee of the Federation of Indian Chambers of Commerce and Industry.

Sterling Balances.

In their communication dated the 6th October 1944 addressed to the Finance Department, Government of India, the Committee referred to the accumulation of sterling balances held in the Banking Department and the Issue Department of the Reserve Bank of India amounting to over Rs. 1,000 crores and referred to the suggestions made by the U. K. Delegation at the International Monetary Conference that even during the transitional period provided for in the International Monetary Fund, neither these balances nor any further accumulation arising out of current transactions would be multilaterally convertible. This information, they added, made it all the more imperative that the Government of India should, without any further delay, open negotiations with H. M.'s Government to find a satisfactory solution of the problem. In this connection, they reiterated the suggestion which had been repeatedly made and which was capable of being implemented immediately, namely, for acquiring British-owned investments and enterprises in India by paying the value of the sterling capital invested in the country. They also suggested that the Rupee investments of British nationals in India should be mobilised by His Majesty's Government and transferred to India in exchange for payment in sterling. These proposals according to them could be immediately implemented without any serious difficulty. In conclusion they requested the authorities to examine the suggestions referred to above and take necessary steps and emphasised that full statement as to what the authorities proposed to do for ensuring the liquidity and convertibility of these balances be made.

Empire Dollar Pool—Dissolution of.

In their communication dated 2nd October, addressed to the Government of India, Finance Department, the Committee invited the attention of Government to the formation of an Empire Dollar Pool and enquired as to the total amount of dollars mobilised

under the Pool, as also the total amount of dollars which stood to the credit of the Pool Account, giving separately the amounts of dollars which stood to the credit of this country. In this connection, they referred to the observations made by the Finance Member in his last Budget speech in which he had stated that the dollar resources would be utilised for the post-war reconstruction and development, and suggested that the Government of India should urge the dissolution of the Empire Dollar Pool, or at least at any rate allow the arrangement to terminate so far as India was concerned and to ask His Majesty's Government for the allocation to this country her share of the dollar credit already accrued on a *pro rata* basis. They further added that the Government of India should request His Majesty's Government to credit to its fullest extent to India's account from now onwards all the dollar credits resulting from India's transactions, both commercial and otherwise, instead of merely a part of its share as announced by the Finance Member in March last. They also requested the authorities to inform them as regards the amount of dollars which stood at present to the credit of the Reserve Bank of India in account with the Bank of England.

Difference between T.T. and D.D. Charges.

In a communication addressed to the Chairman of the Exchange Banks Association dated 29th November 1944, the Committee drew his attention to the difference of 3/32 d. maintained by the Exchange Banks as opposed to 1/32 d. difference which prevailed before the war in regard to T.T. and D.D. of sterlings on London. The Committee held the view that even if such a difference was justifiable in the past, the present position did not warrant such a large margin and therefore urged that the Exchange Banks Association should take early steps to reduce the difference in the rates and thus remove the grievances of the Indian commercial community.

They also referred to the burden placed on the merchants as a result of the difference between the selling and buying rates of D/D on London which was maintained by the Exchange Banks at about 5/32 d. and requested to consider the two questions favourably in the interests of the commercial community.

Issue of Capital.

The Committee in their communication dated 24th January addressed to the Examiner of Capital Issues, Government of India, supported the case of the Zenith Chemical Works in respect of issue of 600 shares of Rs. 100 each of which only about Rs. 30,000 were to be immediately called up. The Committee contended that the firm was in existence since a long time and that this further issue was contemplated to reorganise the establishment on a proper basis. They reminded Government of their assurance that the proposal to restrict issues of capital would not come in the way of *bona fide* efforts to reorganise existing undertakings. They pointed out that the application of the Zenith Chemical Works was entitled to due and sympathetic consideration in view of the above assurance. Government in their letter dated 17th February informed the Committee that they had given a favourable decision in respect of the above firm.

Subscriptions to Defence Loans.

In their telegram dated 17th February addressed to the Hon'ble the Finance Member, Government of India, the Committee referred to the questions and answers on the floor of the Assembly in connection with the collection of money on War Bonds from the public with a view to stimulating savings, the Committee desired to know whether any specific instructions had been issued by the Central Government for collection of money on War Bonds and whether certain rates were fixed for such collection per acre on holdings of agriculturists, etc. They also desired to know whether any instructions had been issued to School Masters and Sub-Registrars to collect money compulsorily fixing certain quotas. It was urged that it was not advisable to follow any policy which resulted in a compulsory savings contribution.

Discretionary powers of Income-tax Officers and Assistant Appellate Commissioners.

In their letter dated 22nd June, the Committee drew the attention of the Central Board of Revenue to the discretionary powers enjoyed by the Income-tax Officers and the Appellate Assistant Commissioners under certain sections of the Income-tax Act

whereunder orders passed by them in certain cases in exercise of their discretionary powers were considered final and therefore non-appealable. In this connection, the Committee pointed out that if such powers could be exercised against the public the same would result in frustration of law and equity and demanded that the decision should be made appealable to higher tribunals with complete and full examination of the issues involved in cases of appeals. They therefore urged that the discretion contained in the above sections should be subjected to the appeal before the tribunal and the law should be amended accordingly. The Central Board of Revenue in their letter dated the 7th September 1944 informed the Committee that the Board did not think it necessary or proper to provide for appeals in the cases referred to above and that in cases of real hardship recourse could be had to Section 33A of the Income-tax Act.

Section 23 (a) of the Income-tax Act—Definition of the term Public Company.

It may be recalled that when the Committee had discussion with Sir John Sheehy, Member, Central Board of Revenue in August 1943, it was pointed out that in regard to the provision in the Articles of Association regarding right of the management of a company to refuse or transfer shares was concerned the same was being looked upon by the Income-tax Department as an indication that such companies were of a private nature. The Committee, therefore, had requested the Central Board of Revenue to clarify the meaning connoted by the terms "in fact." The Central Board of Revenue in their letter dated 8th June clarified the meaning of the words as follows:

"The words 'in fact' in the expression "in fact freely transferable" occurring in the explanation to Section 23A(1) are important and indicate that it is open to the company to establish that notwithstanding the power to refuse transfer of shares vested in the Directors by the Articles of Association, transfer of shares was not refused. The actual facts and not the Articles of Association would thus be the criteria to be taken into account in deciding whether a company is a public or private one."

Discrimination in the Existing Provision for Taxation of Companies.

In their representation made on the 7th November 1944, the Committee referred to the Schedule of rates fixed under the Indian Finance Act, 1944, particularly in cases of companies where the rates of income-tax for companies registered in British India and outside British India were fixed. The Committee referred to the deliberate use of the phrase *declared in British India,* which sought to exempt from taxation all British and foreign companies trading in India and having their registered office outside British India, where their dividends were generally declared. The Committee requested Government to carefully examine the above provision and set right the injustice and discrimination involved in the said provision.

Section 34—Provision for Relief in Over-Assessment.

The Committee had addressed a letter to the Central Board of Revenue on the question of provision for relief in cases of over-assessment under Section 34, as published in the Annual Report for 1943. The Central Board of Revenue in their letter dated 17th December 1943 observed that it did not appear to the Board that any lacuna existed in the provision of the Act, because Section 33A and Section 35 afforded adequate safeguards to the assessees for rectification of accounts, if any genuine case of relief was deemed necessary for consideration.

The Committee in a further letter dated 22nd June pointed out that Section 33A was hedged in by various provisions under which the Commissioner was precluded from taking up the revision of assessment asked for by an assessee, and therefore the same was unhelpful in so far as there was a limitation of period within which the revision could be asked for. The Committee requested that a provision be made whereby the assessees would have the right to seek re-assessment in cases where it was subsequently found that there was an over-assessment. Government in their reply dated the 7th October observed that Section 35 was wide enough to cover such cases as referred to by the Committee in their letter and that the section would cover the ratification of any error evident in the assessee's books of accounts or other statements, etc. from which the Trading and Profit and Loss Accounts and the Balance Sheet filed in the proceedings were prepared. They

invited in this connection the attention of the Committee to their Circular No. 69 of 1940 dated the 25th October 1940 wherein this matter was dealt with.

Legal and Accountancy Charges.

In their communication dated 13th April 1944, the Committee attention of the Central Board of Revenue in connection with the disallowance of legal and accountancy charges incurred by the assessees with regard to the applications made under Section 26 (1) to the Central Board of Revenue and under Section 6 (3) to the Board of Referees for E.P.T. purposes and requested the authorities that such applications be considered as forming part of original proceedings for the determination of standard profits and expenses incurred thereto might be allowed for income-tax purposes.

Allowance of Expenses incurred in connection with the Registration of Trade Marks for Income-tax Purposes.

As published in the Summary Report of the Committee for the year 1943 the Committee had requested the Central Board of Revenue in the above connection that the first registration of old trade marks should be treated as revenue expenditure. The Board in their reply dated 10th January informed the Committee that they were unable to accept the suggestion.

Double Income-tax Relief between India and Burma.

As recorded in the Annual Report of the Chamber for the year ended 1943, the Committee had requested the Central Board of Revenue not to withhold double income-tax relief between India and Burma on technical grounds in cases where the persons constituting the partnership who actually paid the tax at both ends were the same. The Central Board of Revenue in their reply dated 5th April sent a circular dated 17th March 1944 whereunder relief was given if the same income had been taxed in two places.

Income-tax Relief in connection with Life Insurance Payments.

In their letter dated 22nd June the Committee drew the drew the attention of the Central Board of Revenue to the Income-tax provision in the U.K. to the effect that any additional premiums paid to extend the cover secured by existing Life Policies to risks

connected with the war would not be taken into account in calculating the limit of one-sixth of the nett total income or 7 per cent of the amount assured. They also drew the attention of the Board to another concession which provided that if the one sixth of the total pre-war income was greater than that for the assessment year in which the claim for relief was made, the benefit of the larger pre-war income would be allowed in calculating the limit. It was urged that the above provisions in force in U.K. should also be provided as concessions in India.

Section 16 (3) of the Income-tax Act—Income of Wife.

As published in the Annual Report for the year 1943, the Committee had addressed the Central Board of Revenue drawing their attention to Section 16(3) of the Indian Income-tax Act whereunder only the positive income of the wife was allowed to be included in the husband's total income, whereas if the partnership resulted in a loss, the share of the loss on account of the wife could not be availed of by the husband for reducing the total income for purposes of taxation. The Central Board of Revenue in their letter dated 30th December 1943, maintained that there was no anomaly as observed by the Committee because under the section referred to, it was only the positive income of the wife which was to be included in the husband's total income and the husband was not to be regarded or even deemed to be the assessee in respect of such income. In so far as previous losses, if any, suffered by the wife were concerned, the Board observed that the wife was entitled to have them first set off under Section 24 of the Act and therefore there was no anomaly.

The Committee in a further letter dated 22nd June 1944 submitted that in so far as in the event of the wife making a loss the husband's total income in a particular year could not be correspondingly reduced under the above section and reiterated that if profits were liable to be taxed in a particular business, losses should also be allowed in reducing the aggregate liability in the same business. The Central Board of Revenue in their letter dated 9th August 1944 observed that the Board had decided that any loss incurred by wife or minor child from sources, the income of which would be assessable under Section 16(3) in the individual's hands would be allowed in the assessment of the husband

in accordance with the provision of Section 24 and that instructions to this effect would be issued to the Income-tax Officers.

Section 42—Commission Agents treated as agents of Non-residents making Purchases in British India.

The attention of the Committee was drawn to the fact that the Income-tax Department was sending notices to merchants making purchases on behalf of non-residents treating them as agents of non-residents and requiring them to submit returns for assessment on such transactions. In this connection, the Committee addressed the Central Board of Revenue on 22nd June suggesting that instructions be issued to the Income-tax Officers discouraging the practice of sending assessment notices to merchants making purchases on behalf of non-residents because such purchases were part transactions which became complete only when adjusted by corresponding sales thus showing profit or loss on the said transactions. The Central Board of Revenue in their letter dated the 20th August 1944 pointed out that the Board were unable to issue instructions on the lines suggested by the Committee and added that full facts of the cases in connection with which the question had arisen might be brought to the notice of the Commissioner of Income-tax, Bombay, for such action as he might consider necessary.

Set off of Losses.

The Committee in their letter dated 22nd June addressed to the Central Board of Revenue, drew the attention of the authorities that under Section 24 which dealt with set off of losses, in regard to which no return had been made, and consequently not determined, were not allowed to set off against profits in subsequent years without the approval of the department. The Committee suggested that the law should be made clear in regard to set off of losses where the same were not determined by specific return on the part of the assessees. The Central Board of Revenue through their Circular No. 23 of 1941 dated the 2nd April 1941, clarified the position suggesting therein that in computing the income or losses of preceding years the carry forward of losses admissible under Section 24(2) would be kept separate from any unabsorbed depreciation and would be dealt with under the proviso (b) to Section 10(2) (VI).

Application for Refund of Tax by the Indian Hume Pipe Co., Ltd.

In their letter addressed to the Central Board of Revenue on the 7th November 1944, the Committee referred to the case of Messrs. Indian Hume Pipe Co. in which case it was found that the Company had sustained losses as a result of enemy action. The Company had, however, subsequently realised Rs. 13,621 out of a total loss of Rs. 99,980. The Income-tax Officer, in this connection, had calculated tax on the above amount in a wrongful manner and against the spirit of the instructions of the Board. The Committee, therefore, requested the Board to give relief to the Company on account of the assessment made on the whole amount and to refund the amount of tax rightly claimed by the assessee.

Assessment of Amounts received from Enemy Occupied Territory.

In a letter dated 22nd June addressed to the Central Board of Revenue the Committee referred to the Board's Circular No. 14 of 1942 C. 9(1)-IT|42, dated 26-3-42 whereunder the department was advised to postpone assessment of assessees whose previous assessment year ended on a day before a territory was occupied by the enemy. They however were constrained to point out in this connection that the principle of assessment of such amounts was neither fair nor just to the assessees under the present emergency and requested the authorities that amounts brought over or received from countries under enemy occupations should be treated as capital and not income and to issue instructions to the Income-tax officers to treat such amounts as capital. The Central Board of Revenue in their letter dated the 31st August 1944, expressed the view that all amounts received or brought from enemy occupied territory could not be treated as capital and added that full details of particular cases of hardship may be brought to the Board's notice, when such cases would arise.

Allowance in assessing Business Income—Loss by Embezzlement or Theft.

As published in the Annual Report of the Chamber for 1943, the Committee had requested the Central Board of Revenue to take into account losses arising by embezzlement or theft or negligence on the part of the servant, etc. The Central Board of Revenue by their Circular No. 13 of 1944 dated the 24th May 1944,

informed the Committee that instructions had been issued to Income-tax Officers to take into account losses arising by theft by outsiders or due to negligence of employees if the loss took place in the normal course of business and/or the amount involved was necessarily kept for the purpose of the business in the place from which it was lost. It was, however, stated in the circular that where the Income-tax Officer was not fully satisfied on the bona fide claim he might refuse the claim for purposes of income-tax.

Provision for Automatic Repayment of Amounts due to Assessees.

In their letter addressed to the Central Board of Revenue dated the 7th November 1944, the Committee referred to the question of refund of tax collected, and added that such amount of refund was not paid to the assessees at the initiative of the Central Board of Revenue, but that the procedure to collect the recovery of the amount was very tiresome and involving a lengthy procedure. They referred in this connection to the procedure prevalent in U.K. The Inland Revenue Board actually intimate the tax-payer that certain amount of tax was refundable to the assessees and that they might make arrangement to recover the amount from the Inland Revenue Board. The Committee requested the Central Board of Revenue to follow this practice in this country also.

Excess Profits Tax (Computation of Profits & Capital) Rules, 1943.

In the matter of Notification No. 10, dated 27-11-43 regarding Excess Profits Tax (Computation of Profits & Capital) Rules, 1943, publishing draft of certain rules seeking to provide limits upto which payments of dearness allowance, bonus and commission should be admissible as deductions for E.P.T. purposes, the Committee sent a detailed representation to the Government of India by their communication dated 6th January 1944.

They took strong objection to the proposed limits. Government ultimately did not proceed further in the matter.

Income-tax and Excess Profits Tax (Validating of Notices) Ordinance, 1944.

In their communication dated the 1st November 1944, addressed to the Finance Department, Government of India, the Committee referred to the Income-tax and Excess Profits Tax (vali-

dating of notices) Ordinance, 1944, being Ordinance No. 45 of 1944, promulgated by the Governor-General in pursuance of the powers vested in him under Section 72 of the Government of India Act and observed that the said Ordinance was of a very far reaching character and the provisions would materially affect the commercial community of India to a large extent. The Committee emphasised the fact that it was not competent to the Governor-General to promulgate the above Ordinance with a view to remedy or remove doubts as regards validity of notices issued by the Revenue authorities which notices were entirely against the terms of the statute under which they were issued. The Committee in this connection referred to the observations made by Sir John Beaumont in a case reported in 1942, Bombay Law Report 814, wherein he expressed his amazement that any rule or act could at all be enacted which could have a retrospective effect. The Committee felt that it was difficult to find a precedent of this kind of legislation in any civilised country giving a retrospective operation to acts innocent at the time of commission by making it criminal by a subsequent legislation and punishing the doer of the act. The Committee, therefore, requested His Excellency the Governor-General that suitable alterations be made in the said Ordinance so as not to make it retrospective in criminal proceedings.

The Central Board of Revenue in their letter dated 1st December 1944, observed that they did not propose to enter into a discussion of the propriety or validity of the Ordinance in question and added that they would, however, appreciate if the actual nature of criminal proceedings as a consequence of the promulgation of the Ordinance about which fear was entertained by the Chamber were elucidated in greater detail.

E.P.T. Act—Rule 5, Schedule I—Allowance on Borrowed Capital.

As recorded in the Annual Report of the Chamber for the year 1943 the Committee had addressed the Central Board of Revenue stating that there was no justification for distinctions with regard to the allowance on borrowed capital as between a new business and a business having a standard period and that such should be treated as capital for all business. The Board in their reply dated 12th January were not agreeable to accede

to the suggestion of the Committee as the provision complained of was concessionally extended to new businesses having no standard period.

Rule 11, Schedule I of the E.P.T. Act.

As published in the Annual Report of the Chamber for the year 1943 the Committee had objected to the spreading of obsolescence allowance backwards under Section 10 (2) (vii) of the E.P.T. Act. The Central Board of Revenue in their reply dated 2nd February assured the Committee that consideration would be given on individual merits with regard to any cases of spreading over of abnormal allowances. They also stated that in the U.K. such allowances were spread backwards.

Tax Reserve Certificates.

As published in the Annual Report of the Chamber for the year 1943 the Committee had suggested to the Central Board of Revenue that as in the U.K. the amount of Tax Reserve Certificates should be treated as capital for E.P.T. purposes and the interest earned thereon should be free of income-tax, super-tax and E.P.T. The Central Board of Revenue in their reply dated 15th January informed the Committee that they did not propose to introduce Tax Reserve Certificates. They, however, stated that the amounts deposited against income-tax and E.P.T. liability should be treated as cash in hand equal to the actual liability in each case.

Disallowance of Maintenance to Families of Employees detained in Enemy Occupied Territory.

At the instance of Messrs. Waghji Lakhmidas & Co., who had represented to the Committee that the E.P.T. Officer had disallowed an item of Rs. 2,000 which was disbursed by them as maintenance allowance to the families of their employees who were detained and were in all probability prisoners at Singapore at the outbreak of hostilities, the Committee addressed the Central Board of Revenue on 23rd June pointing out that the item referred to above was disallowed by the Income-tax Officer on the plea that the same was debitable to the Income of the firm at Singapore. The Committee felt that the disbursement in question would not be debitable towards salaries of the detained employees and as such

instructions be issued to the officers concerned to allow the item in question for purposes of income-tax. The Central Board of Revenue in their letter dated the 3rd August 1944 observed that as a special case, the Board had allowed the amount referred to as business expenditure in the assessment and had accordingly asked the Commissioner of Income-tax, Bombay, to revise the assessment in this case and to allow the necessary relief to the assessee.

Depreciation on Producer Gas Units.

As published in the Annual Report of the Chamber for the year 1943, the Committee had suggested to the Central Board of Revenue a higher rate of depreciation on Producer Gas Units. The Board in their reply dated 17th December 1943, informed the Committee that they would pass orders granting allowance of the whole of the cost for E.P.T. purposes during the life of the tax, if applications under Section 26 (3) of the E.P.T. were made.

Difficulties under the War Risk Insurance Scheme.

As recorded in the Annual Report of the Chamber for the year ending 31st December 1943, the Committee had represented to the Government of India the difficulties arising from the insistence of the War Risk Insurance Department on assessing on the basis of calendar months and not on the basis of Samvat year or Maru year. The Committee had also represented the difficulty regarding assessment on market value basis. Government of India in their reply dated 2nd March informed the Committee that the English calendar basis was even appreciated by the Indian merchants and in the interest of uniformity, Government would not be able to consider the suggestion of the Committee to allow the merchants to supply figures on the basis of Samvat or Maru year. The Committee were also informed that the War Risk Insurance Department would not insist on the attendance of businessmen from distant places for the purpose of furnishing accounts. With regard to the market value basis, they stated that the same afforded proper compensation basis and, therefore, the insurable value should be market value at the time of insurance. The Committee in a further reply dated 25th May drew attention of Government

to the arbitrary manner in which in certain instances, the market value was being worked out. It was urged that even if the market value was to be taken as the basis for purposes of insurance adjustments, the percentage increases already effected as a result of the rise in prices during the previous quarter should be taken into account.

Increase in Court Fees and Stamp Duties.

On 31st December 1943 the Committee sent a protest to the Government of Bombay against the increase in Court Fees and Stamp Duties whereby a surcharge of 50 per cent was levied under the Indian Stamp Act applicable to the province of Bombay as also a 20 per cent surcharge was levied under the Court Fees Act. The Committee complained that no notice was given to the public regarding such increases and that the Acts in question were published for the first time on 29th December and the levies were brought into force from 1st January 1944. It was pointed out that the Legislature in the Province was not functioning and therefore it was necessary for Government to elicit public opinion before giving effect to such new Acts which directly affected the public. They also suggested that such taxation measures should be given effect to from the beginning of the financial year. In fitness of things such measures should be introduced along with the Budget to justify such additional levies.

Government in their reply dated 10th January 1944, regretted that the suggestions of the Committee were not acceptable.

Proposed Duty on Export of Cotton Textiles.

The Committee sent a telegram to the Government of India on 7th July protesting against the proposal to levy 3 per cent duty on export of cotton textiles. They observed that the imposition of such a duty was wrong in principle and was likely to create a precedent for the future. They also observed in this connection that such a step would create ill-will among the overseas buyers and would induce them to retaliate while supplying wheat and other foodstuffs to India. They, therefore, urged the authorities not to levy any export cess or duty on cotton textiles. Government in their reply dated the 29th September 1944, observed that

they had considered the points raised by the Committee and added that if at any time it was found that the export trade was likely to be affected by the levy of the cess, they would consider the question of reducing or waiving the same, as the situation would develop.

III. TRADE, INDUSTRIAL AND LABOUR LEGISLATION

Bill to amend the Indian Companies Act—Capital Structure of Banking Companies.

The Committee sent a telegram to the Government of India on 23rd February detailing their views on the Bill to amend the Indian Companies Act, a brief summary of which is as under :

1. Restriction of the period of appointment of any person having a contract for the management of the company to five years should apply only to the Chief Manager and not to sub-Managers or Branch Managers ;

2. The power of renewal and extension of the appointment of a Manager should vest in the Directors of the Company and not in the shareholders as proposed as the Directors were elected by the shareholders and were competent to decide regarding the suitability of any incumbent to such post.

3. A Manager appointed before the commencement of the new Act should be allowed to continue to hold office for a further period of seven years from the commencement of the new Act.

With regard to the provision in the Bill to have no class of capital other than ordinary shares and such preference shares as were issued before the commencement of the new Act, the Committee drew attention to the fact that no machinery and procedure had been prescribed for cancelling and paying back Deferred and other classes of shares already in existence. If the holders of such deferred shares did not agree to their being paid back, a deadlock would be the result. They therefore urged that a sub-clause should be added providing that such banking companies should be entitled to cancel Deferred or other classes of shares by a compromise arrangement and that in the case of such a com-

promise not being possible, the Reserve Bank should be empowered to determine the terms and conditions on which such shares might be cancelled.

Bombay Rent Restriction Order.

In their communication dated 10th February 1944 addressed to the Government of Bombay, the Committee referred to the recent amendment to the Bombay Restriction Order, 1942, whereunder the tenants were allowed to sub-let any portion of their premises after intimation to the landlords concerned. The Committee felt that the amendment affected the rights of landlords and suggested that the right of sub-letting or re-letting the premises should belong to the landlords. It was, however, stated that the tenant might be allowed to sub-let after having secured the sanction of the landlord.

Bill to amend the Indian Trade Union Act.

The Committee in their communication dated 30th March addressed to the Commissioner of Labour, Bombay, submitted their views on the Bill to amend the Indian Trade Unions Act. The Bill under reference provided for the compulsory recognition of Trade Unions under certain conditions. The Committee, at the outset, informed Government that it would have been more desirable to consider such social legislation after the war, when suitable conditions would prevail for a calm consideration of the question. They were against the introduction of statutory compulsion in the matter of recognition of Trade Unions, so far as the Province of Bombay was concerned. The Bombay Industrial Disputes Act provided suitable machinery for settlement of disputes between the employers and the workers. If Government, however, were bent upon passing such legislation, the suggestion of the Committee was that the Trade Unions should have at least 70 per cent of the total number of workers in each such industry or factory. It would be unfair to the employers to compel them to recognise Unions which did not represent the workers employed by them. They referred to the representation sent to Government by the Bombay Millowners' Association in this regard and stated that they were in complete agreement with the views expressed therein.

Bill to further Amend the Indian Insurance Act, 1938.

In the last session of the Central Legislature a Bill was introduced to further amend the Indian Insurance Act, 1938. The Superintendent of Insurance by his letter dated 18th November 1944, invited the views of the Committee on the same. In reply a detailed representation was sent on 21st December 1944, during the course of which the Committee, in particular, stressed that, while they had no objection to raising the limit for insurance by Provident Insurance Societies, it was not in the general interests of both the insurers and the public to increase the minimum limit for insurance by either life companies or Co-operative Societies to Rs. 1,000, that the existing restrictions under Section 27 of the Act on investment of Life Assurance Funds should be relaxed, that the proposal to restrict payment of commission or a share of profits to any employee of an insurance company should apply only to the Principal Officer of the Head Office and not to the Managers and Agents of the Branch Offices, and that the proposal to limit payment of remuneration to Agents and Chief Agents should be linked with a limitation of over-all expenses. The Committee also made detailed suggestions regarding the basis on which such commission should be paid.

Bombay Growth of Food Crops Bill, 1944.

The Committee in their communication dated 22nd May addressed to the Government of Bombay submitted their views on the Bombay Growth of Food Crops Bill of 1944, a brief summary of which is as under:

At the outset, they stated that in view of the uncertain position of food supply in the Presidency and the deficit that had to be successfully supplemented to feed the province, the introduction of the Bill, whereunder, increasing cultivation of food crops in an organised manner would be made necessary was welcomed. They maintained that the cattle wealth was an important feature in the cultivation of crops. The indiscriminate slaughter of prime and useful cattle which had been going on in the country was making agricultural conditions much worse and should be forthwith stopped, and the slaughter of protected categories of cattle should be made penal. The question of cattle fodder was very important in connection with the preservation of good health of

cattle which were necessary for food cultivation. It was the duty of Government to provide for cultivation of fodder in ample quantities, which should be supplied at reasonable rates to the agriculturists. The Committee welcomed the obligation of Government under the Bill to purchase the ready food crops. Still, however, the Committee were of opinion that Government should announce beforehand the minimum prices at which they would buy the crops. This was necessary in view of the fact that the cultivator had, in the past, suffered under extraordinary depression in food prices. It was necessary to assure them beforehand that they would receive adequate prices for food crops grown by them. They stated that the remission of annas 2 in the land revenue per rupee proposed by Government was not likely to help the agriculturist, neither create confidence in him which was necessary in such a time of crisis. The Committee urged that substantial subsidisation of cultivation of crops for the duration of the present emergency was most essential if this Bill was to achieve its purpose. In addition, the agriculturist must be assured of securing agricultural implements, seeds, fertilizers to help him in the work of cultivation. Other essential articles such as clothing, lanterns, kerosene, etc. should be made available to him at cheap prices by Government themselves. The Committee made a suggestion that Government should obtain the views of the agriculturists who were directly concerned in the working of this Bill and get their co-operation in solving many difficult questions which were sure to arise, in the fulfilment of the aim for which this Bill had been promulgated.

Administration of the Defence of India Act and Rules.

The Committee in their letter dated 21st February addressed to the Government of Bombay drew attention to the difficulties suffered by merchants in Bombay who were prosecuted under the Defence of India Rules and Notifications on account of the breaches under the rules. The change in the rules were many times brought into force on the very day on which they were published and this caused great hardship to the merchants concerned as they were not properly posted with the day to day changes. It was, therefore, urged that some time should elapse between the issue of the notification and enforcement of the same. The other griev-

ance related to the location of the Court at Mazagaon to which all such cases were referred as a result of which the merchants from all parts of the city had to be present at the Special Court created for the purpose. It was urged in this connection that such prosecutions might be heard in the different Criminal Courts of the City so that the merchants might be enabled to present themselves in the area in which the breach might have taken place. The Committee felt that if this provision was made in view of the transport difficulties, it would be easier for the merchants concerned to be present in the Courts in time when the cases opened. It was also suggested that such cases might be tried by Stipendiary Magistrates as in the case of other offences with a view to inspire confidence amongst the members of the business community. It was emphasised that the long pending cases should also be taken up as soon as possible.

Labour Investigation Committee.

Mr. Haridas Madhavdas and Mr. Ratanchand Hirachand accompanied by the Secretary were deputed by the Committee to attend a preliminary meeting of the Labour Investigation Committee appointed by the Government of India, which was held on 29th March 1944.

General Questionnaire prepared by the Labour Investigation Committee.

The Commissioner of Labour, Bombay, had forwarded to the Committee the questionnaire issued by the Labour Investigation Committee, Department of Labour, Government of India, and invited replies thereto. The Committee in their letter dated the 15th September 1944 observed that the questionnaire under reference was primarily meant to be answered by persons directly engaged in industries and added that the necessary information would be supplied to the Investigation Committee by such organisations which directly represented particular industry, as also important organised industries and factory owners. They had in this connection drawn the attention of the Investigation Committee to the Textile Labour Enquiry Committee (Devatia Committee) and pointed out that their report contained general information on many matters referred to in the questionnaire under reference.

Industrial Research Planning Committee—Questionnaire issued by.

The Council of Scientific and Industrial Research by their communication dated 6th April informed the Committee about the appointment of an Industrial Research Planning Committee for the purpose of making a survey of the facilities for the scientific and industrial research existing in the country. The said Committee had issued a questionnaire in connection with the above survey which was sent to the Committee of the Chamber. The Committee sent a copy of the questionnaire to the various Industrial organisations requesting that their replies to the same might be sent direct to the Industrial Research Planning Committee.

Subsequently, when the Planning Committee was in Bombay in November, Mr. M. A. Master (Vice-President) Mr. C. S. Patel, Mr. Shantilal H. Shah and Mr. P. J. John, representatives of the Chamber met the Committee and had a discussion on matters covered by their enquiry.

Registration of Trade Marks and Reciprocal Arrangements with Indian States.

In their communication dated 30th March, addressed to the Registrar of Trade Marks, Bombay, the Committee submitted their views with regard to the above, a brief summary of which is as under.

They referred to the common currency for British India and almost all of the Indian States, the common Posts and Telegraphs operating in the whole of India as also the common policy with regard to collection of customs duties and stated that if this was possible, reciprocal arrangements with Indian States with regard to the Registration of Trade Marks would also be possible. They also referred to the arrangement in respect of double-income-tax relief and War Risk Insurance Scheme which had reciprocal application.

In view of the above, it was stated that it would not be beyond the competence of the Government of India to devise ways and means by which reciprocal arrangements with Indian States in respect of Registration of Trade Marks could be made to operate.

IV. GENERAL TRADE AND INDUSTRY.

Interview with the Hon'ble Sir M. Azizul Haque, C.I.E., D.Litt., Member for Commerce, Industries and Civil Supplies, Government of India.

The Committee had an interview with the Honourable Sir M. Azizul Haque, with whom they discussed the following points :

(1) Future trade and tariff policy.

(2) Development of a National Navy.

(3) India's place and position at International Conferences.

(4) Canalisation of Exports and Imports.

(5) Controls and Canalisation.

(6) Control Orders and need for greater consultation.

(7) Hedge Trading in Oil-seeds.

(8) Shortage of Coal.

(9) Cotton Floor Prices.

(10) Supply of consumers' goods—Government's import policy.

(11) Scheme of compensation for explosion losses.

Interview with the Hon'ble Sir Ardeshir Dalal, Member for Planning and Development, Government of India.

The Committee met the Honourable Sir Ardeshir Dalal on 30th October 1944, when the following points were discussed with him :—

(1) Government's Policy towards Key Industries ;

(2) National Government essential for Industrialisation of India ;

(3) India cannot tolerate creation of any new foreign vested interests ;

(4) Policy Committee for Industries ;

(5) National Industries and protection against foreign combines ;

(6) Co-operation with foreign capital suicidal to India's economic and political freedom ;

(7) India needs unfettered powers for protecting and promoting her industries ;

(8) Clarification of the nature and extent of restrictions on capital issues;

(9) Policy of taxing industries needs revision;

(10) Proposal for training of personnel; and

(11) Making Indian Industrial Mission fully representative.

Interview with Mr. S. K. Kirpalani, C.I.E., I.C.S. (Indian Trade Commissioner-designate in U.S.A.)

The Committee had an interview with Mr. S. K. Kirpalani, C.I.E., I.C.S., Indian Trade Commissioner-designate in U.S.A. on 12th January 1944, when matters connected with trade between India and U.S.A. were discussed.

Interview with the Director of Commercial Intelligence re: Annual Revision of Tariff Values fixed under the Agricultural Produce Cess Act.

The Import-Export sub-Committee of the Chamber along with merchants concerned met Mr. J. N. Ghosh, Director of Commercial Intelligence, on 20th April 1944 when matters regarding fixation of tariff values under the Agricultural Produce Cess Act were discussed.

Anti-inflationary Measures.

In their communication dated 1st March 1944 addressed to the Government of India on the question of anti-inflationary measures and the need for increasing supplies of consumers' goods the Committee stressed that measures like the anti-hoarding and profiteering ordinance, Drugs Control Order, the Ordinance limiting bonuses and Dearness Allowance, etc. taken with a view to stabilise prices of commodities of daily use, would have no anti-inflationary effect so long as Government made no provision for adequate supplies of raw materials, stores and spares and machinery to produce the articles which were under control. The Committee referred to the special organisations in U.S.A. and U.K. which had the distinct object of supplying the necessary consumers' goods to the public whereby the control orders would have the desired results by making available to the public the necessary goods in required quantities. It was emphasised that in the absence of sufficient quantities of consumers' goods for distribu-

tion amongst the public such control orders would be so many embarrassments both to Government and the public. It was urged that Government should intensify production in the country and that they should give necessary facilities and assistance to manufacturers in the procurement of raw materials, spare parts, machinery, etc. The import of bicycles, razor blades, etc. as a measure for checking inflation was not in the interests of the country as it was possible to manufacture such articles by giving shipping priorities to Indian industries to import raw materials, spare parts, stores, etc.

The Government of India in their reply dated 18th March 1944 observed that they fully appreciated the necessity of increasing the supplies of consumers' goods side by side with the institution of measures to control their prices. They gave certain instances in which, it was pointed out, that raw materials, transport facilities, etc. were given to industries to increase the internal production of industries which had been started during the war. They, however, pointed out that commodities which could rightly be regarded as necessities had to be imported from abroad in order to meet the requirements of the consuming public. They, further, added that the possibility of expanding indigenous production was always in their mind and that they were continuously endeavouring to ensure larger supplies of complete plants or of component parts for the industries and observed that the policy which the Committee had advocated in their letter dated 1st March and the policy which Government were following was more or less identical and had the same end in view.

The Committee in a further representation made on 12th June 1944 differed from the views held by Government and pointed out certain obvious incorrect statements made in their letter referred to above. As an instance, they pointed out that the Committee were informed by interests connected with the chemical industry that nearly 8 to 10 factories were started in Bombay for the manufacture of sodium sulphide during the year 1942-43. However, all these factories had to suffer a great deal on account of the cutting foreign competition and a large number of them had to close down, their work. The Committee further referred to the replies given by the Hon'ble the Commerce Member in the Legislative Assembly on 25th February on the question of imports

of consumers' goods from U.K. where he had mentioned that import of a large number of the items of consumers' goods was being encouraged by Government. On a scrutiny of the list it was found that many of the items enumerated by the Commerce Member were and could be manufactured in the country if facilities were given to the industries concerned to increase internal production. In conclusion, the Committee urged on Government the necessity for formulating a co-ordinated policy for the production of essential civil requirements as, in their opinion, production of consumers' goods was deemed as a war effort of great importance and industries engaged in such production were entitled to the same degree of priority and assistance as industries engaged in war work.

Central Consumers' Council.

The Committee in their letter dated 1st June referred to the formation of the Central Consumers' Council composed of prominent non-official men and women for fixing prices of consumers' goods and referred to the absence of any representative from the commercial bodies on the Committee of the Council. Government in their letter dated 7th June informed the Committee that all places on the Council were filled up and that no vacancies for the appointment of fresh members were available. The Committee in a further letter dated 22nd June pointed out that they were not in agreement with the views expressed in Government's letter, but that they were trying to emphasise the point that in the selection of members Government had not taken into account the interests representing commercial community and therefore suggested that provision be made for a representative of the commercial community.

Utilisation of Industrial Research and granting of Exclusive Rights.

The Council of Scientific and Industrial Research publish from time to time non-technical notes regarding schemes of researches ready for commercial utilisation. These notes are circulated amongst the Chambers of Commerce and other public bodies and offers for exploitation of the said researches are invited. Subsequently the parties recommended by the Council are given exclusive right for exploitation of such researches, on terms and conditions fixed.

The Committee in this connection addressed the Government of India on 9th May, 1944, drawing attention that harm was being done to the industrial interests of India by granting exclusive right of exploitation to a single party in connection with such researches and that the present system should be substituted by a system of licences issued to suitable parties for working such researches on the recovery of a fee. It was stated that the system of licences would broaden the use of such schemes and many parties would be able to take advantage of these researches in place of a single party which was given the exclusive right of exploitation under the present procedure. The suggestion of the Committee would bring under the orbit of such researches many industrial concerns as a result of which a healthy competition between the manufacturers would tend to cheapen the prices.

The Board of the Scientific and Industrial Research in their letter dated the 10th November informed the Committee that their presumption that exclusive right was given to a single party for the commercial exploitation, was not correct and added that:

(*i*) Every process before being offered for commercial exploitation was examined as regards economic implications, demand and mode of production and the decision was guided by such an examination.

(*ii*) Depending upon the circumstances of each case the processes were offered for industrial exploitation in any of the following ways:

(*a*) Free of any charge or against a uniform rate of royalty to all interested parties.

(*b*) On regional basis, the royalty in each case being the same.

(*c*) On monopoly basis.

The Committee in their reply dated 20th November suggested that the present system should be substituted by system of licence in order to give greater opportunities to a large number of applicants to take advantage of the schemes in question and added that they would like to be informed as to the number of non-technical notes issued for successful researches, and also desired to know as to how many licences were taken and how many of them were successfully worked up. In conclusion, the Committee

submitted that their object in addressing this letter was to urge upon the authorities to introduce a licence system by which industrialists would be in a position to take advantage of the researches carried on under the aegis of the Council of Scientific and Industrial Research Board.

Post-war Requirements of Capital Goods.

In their communication dated 18th December, 1943 addressed to the Government of India, the Committee referred to the Government circular dated 26th October regarding post-war requirements of machinery and desired to know what would be the Government policy in regard to priorities for imports of capital goods and registration of orders and whether any extra facilities of shipping would be made available for importing capital goods from abroad. They also desired to be enlightened regarding the full details of the Government industrial policy in the post-war period and whether a suitable tariff policy was also going to be devised in the interest of the industry. It was pointed that the present fiscal policy of Government did not encourage development of industry which they hoped would be revised in the post-war period. They also desired information as to whether the income-tax policy now followed by Government would undergo any revision with a view to help the industry in gaining feet. Government in their reply dated 6th January explained that the information regarding the requirements of machinery just after the end of the war was desired with a view to help the industries in obtaining priority for securing such capital goods if that was possible. It was not their intention to interfere with any orders already placed by Industry abroad. They were not in a position to enlighten the Committee regarding the execution of orders, time of deliveries or shipping facility which might be available in the immediate post-war period. Government's future economic policy would be based on full consultation with the industrialists of the country and the discussion of such a policy would be possible only after full information had been collected.

Quotations offered by the British Manufacturers of Machinery, etc.

In their communication dated 24th November addressed to the Department of Planning and Development, the Committee referred to the question of high prices being quoted by British

manufacturers of machinery while registering orders from Indian firms. They also referred in this connection to the conditions which the British manufacturers imposed on Indian importers to deposit a sum in rupees as earnest money equivalent approximately to five per cent of the nominal total net f.o.b. to be paid while the order was being entered into the maker's book to rank for priority; the amount so deposited was to be forfeited in case Indian importers decided to cancel their orders.

The whole question of priority and arrangement to import machinery, the Committee observed, was discussed by them with the Member for Planning and Development and added that Government should issue a press communique informing Indian importers to wait till Government had consultations with the British Manufacturers regarding terms and conditions for importing machinery now and after the war.

Telephone Equipment to Messrs. Super Services (India).

At the instance of Messrs. Super Services (India) the Committee addressed a letter to the Chief Controller of Imports requesting him to provide facilities to the firm concerned to obtain telephone equipments, spare parts, etc. in order that the work of the firm might continue as usual. They had in this connection referred to the four well-known firms which were in a position to help the party concerned but which were not supplying the necessary requirements. The Committee, in conclusion, requested the authorities to give the necessary facilities to the firm to import the articles referred to above in order to enable them to fulfil their contracts with the Railways, Indian States and Municipalities.

Formation of an All-India Handloom Board.

The Government of Bombay, by their letter dated 20th May, 1944, invited the views of the Committee on the formation of an All-India Handloom Board. The Committee in their reply dated the 13th June, approved of the idea of the formation of such a Board to rehabilitate the condition of weavers employed in the industry. They referred, in this connection, to the functions of the Board, and the suggestions made to the Fact-Finding Committee by Mr. Doak, Manager of the Madura Mills regarding the same. On the question of representation on the Board, the Committee urged that representation should be given to this Chamber,

as it represented the interests of producers, consumers and distributors. They also suggested that a representation be given to the All-India Spinners' Association, which was the largest organised body interested in the handloom industry. As regards representation to the millowners' interests and yarn trade, the Committee suggested that the Associations concerned be invited to nominate their representatives, instead of the Textile Control Board nominating them as suggested in Government's letter. In conclusion, they requested Government to publish officially the Report of the Fact-Finding Committee, wherein all aspects of the handloom industry were exhaustively discussed.

Manufacture of Chemical Fertilizers.

The Committee sent a telegram to the Hon. Member Sir Ramaswami Mudaliar, Member, Department of Supply, Government of India, on 12th July in which they referred to their telegram of the 17th June urging Association of Indian Chemists and Chemical Engineers in the survey being conducted regarding the prospects of manufacturing artificial fertilizers in the country and referred to various Press reports which gave the impression that Government seemed to have committed with foreign vested interests in regard to the ownership, management and control of the proposed industry. The Committee protested against such a procedure and emphasised that in India's own interests all industries in the country should be owned, managed and controlled by the sons of the soil, particularly key industries of such national importance as the manufacturing of fertilizers. They further observed that the authorities should not allow any new British or foreign vested interests to be created by giving them financial interest, control or management of Indian industries which were likely to prejudice the country's march towards her political freedom and urged to implement the policy of starting, building up and developing industries in India only under the ownership, control and management of the nationals of the country.

Government in their reply stated that the personnel of the Reception Committee who met and consulted the Members of the Mission included two eminent Indian Chemists, who adequately represented the Chemical industry. With regard to the question of the report which the Mission would submit to the authorities, Government pointed out that the Mission had not yet

submitted their report and observed that it was the intention of Government, after the report of the Mission had been received and considered, to re-assemble the Reception Committee and other parties interested in order to afford them an opportunity to discuss the recommendations of the Mission before final decisions were arrived at by Government. On the question of ownership, control and management of the industry, to which the Committee had referred in their communication, Government observed that the factory or factories required to implement the scheme to establish manufacture of 350,000 tons of Sulphate of Ammonia would be State-owned and State-operated. They had in this connection drawn the attention of the Committee to a Press Note issued in May 1944 wherein the question regarding the ownership, control and management of the industry was explained by them.

The Committee in a further communication dated the 30th September, 1944, informed Government that they appreciated that two eminent Indian Chemists were included amongst the Members of the Reception Committee, but pointed out that the Committee had all along urged upon the Government of India the necessity of associating Indian Chemists and Chemical Engineers of repute *as equal Members* along with the Mission in the survey which was being conducted regarding the prospects of manufacturing artificial fertilizers in the country. They emphasised the importance of Government publishing the report of the Mission for general information and observed that the authorities should consult the representatives of commercial organisations in connection with their recommendations before they took any decision in connection therewith. With regard to the ownership, control and management of the industry, the Committee reiterated their contention that national talent and national skill would be taken recourse to in the operation of the industry as soon as it was started. On the question of the stage at which private enterprise would step in and take over production of the industry, the Committee observed that the authorities should assure them that whenever the services of private enterprise were requisitioned for running the industry or whenever the private interests were allowed to develop this industry, the entire ownership, control and management would be allowed to be retained in the hands of the nationals of the country and that no non-national or outside interests would be allowed to be created in this field.

Assistance to the Shuttle Manufacturing Industry.

As published in the Annual Report of the Chamber for the year 1943 the Committee had addressed the Government of India regarding the difficulties experienced by the Shuttle manufacturers in obtaining raw materials which were imported from foreign sources. Government in their reply dated 25th November, 1943, informed the Committee that the import restrictions were such as would not hinder reasonable imports of wood blocks required for the industry. They however did not accede to the suggestion of the Committee for the removal of import duty on wood blocks. It was also stated that experiments for growing suitable wood in India were being conducted by the Forest Research Institute. The Committee in their reply dated 24th January regretted that the assurance given in their letter was not being carried out and the restrictions imposed on the import of necessary raw materials were hampering the industry. Inspite of the recommendation of the Priority Assistance Advisory Panel to give provisional licences for the import of cornelwood blocks, the industry could not obtain the necessary raw materials from U.S.A. as all stocks were secured for export to U.K. under the Lease-Lend arrangement. The Textile Directorate also failed in securing the supplies of the raw materials under the Lease-Lend while luxury articles found space for import into India. The Committee suggested that some part of the stocks now lying in U.K. might be supplied for the use of the Indian industry. They regretted that Government had not seen their way to removing the import duty on cornelwood blocks. They hoped that Government would make serious efforts to grow cornelwood in India.

Hand Weaving Institute at Poona.

As recorded in the Annual Report of the Chamber for the year 1943, the Committee had protested to the Government of Bombay against the discontinuance of the Hand Weaving Institute at Poona. Government in their reply dated 17th May informed the Committee that the Hand Weaving Institute at Poona had been converted into a power weaving instructional institute at Sholapur. It was added that the Department of Industries in co-operation with the Weavers' Co-operative Associations was looking after the development of the weaving schools in different districts.

They, therefore, were unable to give consideration to the views of the Committee.

Proposed National Physical Laboratories by the Government of India.

In their letter dated 23rd September addressed to the Government of India, Department of Commerce, the Committee referred to a representation made by the Maharashtra Chamber of Commerce, Bombay, in connection with the establishment of four laboratories on the lines of National Physical Laboratories, Teddington, London, which Government had decided to erect at Delhi. In this connection, they suggested that these Laboratories should be located in Bombay, the city being the first-rate University place and the location of the laboratories in Bombay would be more conducive to their successful working.

The Council of Scientific and Industrial Research in their letter dated 8th November informed the Committee that their suggestion to locate the Laboratory at Bombay would be brought to the notice of the Governing Body of the Council which would give full consideration to the suggestion.

Sites for Factories for the Manufacture of Rayon.

The Committee addressed a letter to the Secretary, Board of Scientific and Industrial Research, New Delhi, drawing his attention to a report regarding the selection of sites suitable for the establishment of factories for the manufacture of Rayon. The Committee in this connection enquired whether the Board had come to any final decision regarding the sites and location of factories for the manufacture of this article and emphasised that the Province of Bombay was very much interested in the development of this industry, and suggested that at one stage the question of setting up factories in this presidency was being actively considered both by the Government of Bombay and the Indian Central Cotton Committee. The Committee referred to the survey made by an expert to select such sites and desired to have a copy of the report submitted by the expert who had made the survey regarding the places where the industry would be started. In this connection, the Committee also addressed a letter to the Secretary to the Government of Bombay, Finance Department,

and referred to a provision of Rs. 71,000 made in the budget estimate for 1938-39 to carry on experiments in the manufacture of artificial silk, etc. They invited the attention of the authorities in this connection to a resolution passed by the Bombay Legislative Assembly in 1938 for providing facilities to Indian apprentices for practical training in factories, workshops or offices owned, managed and controlled or patronised by the Government of Bombay, while placing orders for the supply of stores material, machinery, etc. and desired to know the stage at which the activities of the Industries Department had reached in connection with the same.

Training of Personnel in Agronomy and Research Work.

In a telegram dated 3rd August, 1944, the Committee referred to the visit of the Fertilisers Mission in India and suggested that two agricultural scientists from each province should be associated with the experts in the final stages of their survey and that these experts be given the facilities for obtaining further technical training in U. S. A. and U. K. The Government of India in their reply dated the 15th August, 1944, informed the Committee that their suggestion regarding sending men abroad for training in agronomy and research work had been noted for consideration by the Government of India.

Sale of Matches other than Wimco in Ahmedabad.

As published in the Annual Report of the Chamber for the year 1943 the Committee had addressed the Government of Bombay requesting that all makes of matches should be allowed to be sold in Ahmedabad. Government in their reply dated 9th February informed the Committee that they were not agreeable to disturb the present arrangement of distributing matches through the Western India Match Co.

Licence for supplying Electrical Energy to Messrs. Filmlabs.

The Committee in their representation dated the 7th September, 1944, to the Public Works Department referred to the difficulties experienced by the automatic film laboratories belonging to Messrs. Filmlabs as a result of the refusal of licence for supply of electrical energy. They in this connection referred to the representation made by the Indian Motion Picture Producers'

Association and urged upon the authorities that under the existing circumstances it was necessary that a licence be granted to the laboratories referred to above to enable them to cope with the increasing demand of processing films in the country.

Supply of Electric Energy to Amalner.

As published in the Annual Report of the Chamber for 1943 the Committee had addressed a letter to the Public Works Department drawing their attention to the difficulties experienced by the citizens of Amalner in connection with the supply of electricity. Government in their letter dated the 7th July, 1944, informed the Committee that the Electrical Engineer to the Government was requested to recommend to the Controller of Supplies, Bombay, to allot such additional quota of diesel oil to the company as might be necessary and that no hardship could be experienced in future.

The Dakor-Umreth Electric Co.

The Committee in their letter dated the 7th September, 1944, addressed to the Public Works Department, Bombay, referred to the representation made by the Dakor-Umreth Electric Co., Ltd., regarding refusal of permission to work their power-plant. In this connection the Committee pointed out that the Company had completed their works, installations, transmission lines, etc. and requested them to consider the matter and allow the works to start functioning by granting them the necessary facilities for the supply of electric power.

Suggestion for a Central Tobacco Station in Gujerat.

In their communication dated 24th January addressed to the Imperial Council of Agricultural Research, the Committee referred to the proposal to establish a Central Tobacco Station at Guntur and suggested that a similar station should also be established in some suitable place in Gujerat. The Council in their reply dated 11th February informed the Committee that it was proposed to set up an Experimental Tobacco station at Anand for catering to the needs of Gujerat. They also asked for a panel of three names for nomination on an Advisory Panel for the station, in reply to which the Committee sent the following names :

1. Mr. Chhotabhai S. Patel
2. Mr. Kishorebhai Patel
3. Mr. Mohanlal A. Parekh.

Requisitioning of Machinery for Government requirements.

In their communication dated 14th April the Committee drew the attention of the Government of India to a case in which a secondhand Pump had been requisitioned by Government authorities for which a low price was arbitrarily fixed by the Supply Department for payment for the article requisitioned. The Committee urged that the Supply Department was not justified in assessing the price on the basis of the price lists of the manufacturers, goods being not available at listed prices. The Committee requested that the price fixed by the Department being too low, the seller was justified in demanding the actual price plus other expenses.

Floor Prices for Cotton.

The Committee sent a telegram on the 22nd July protesting against the action taken by the Government in reducing the floor prices for Jarilla by Rs. 50 and larger amounts in the case of some of the other varieties. In this connection they referred to the increase in the cost of living of the farmers, as also the increase in the price of bullocks and agricultural implements and labour, and suggested to re-consider their decision and to restore the floor prices to their previous levels. Government in their letter dated 8th August, 1944, observed that the Cotton Committee of the Textile Control Board had made somewhat similar representations to Government and that the suggestion of the Committee was under the consideration of Government whose views would be communicated to the Cotton Committee in due course.

Cotton Cloth and Yarn Control Order.

In their telegram dated 12th January, 1944, addressed to the Government of India the Committee referred to the position of the cloth remaining unstamped after 31st December, 1943 and drew their attention to the adverse effects the trade would be subjected to by the proposed seizure of such unstamped cloth. They complained that the Provincial Government under the Cen-

tral Government's orders were seizing such goods and also taking possession of godowns which contained stamped goods along with unstamped goods. They protested against the fixing of 10% penalty for these unstamped goods by way of stamping fee and also against a cut of 10% from the retail margin of 20% allowed under the Cloth Control Order. They pointed out that the stamping fee would give to Government an unusually large amount, the collection of which was unfair to the trade in general. Stocks of unstamped cloth declared to Government proved the *bona fides* of the merchants possessing such stocks and the penalty for not being able to sell such a huge stock levied on the trade would be unjustified. Government had themselves admitted the existence of colossal stocks in the country which it was not humanly possible to dispose of in the absence of buyers. The Committee referred to Government's explanation that the penalty collection would be utilised for defraying administrative expenses as also to finance measures in relief to the poor consumers of cloth. They objected to such huge funds being collected for administrative purposes which would not require more than 1% to be appropriated. They desired to know how Government wished to give relief to the poor consumers. It was also urged that the legislature of the country should have been taken into confidence before enacting such levies. A nominal fee of about 1% for stamping purposes should have been provided for and no under-cutting of ex-mill prices by 10% should have been imposed. The Committee also desired to know what procedure the Provincial Governments would follow in getting unstamped goods stamped with a view to assure the merchants concerned that they would not be subjected to harassment at the hands of the Executive.

Cancellation of Cloth Licences.

On 25th May 1944, the Committee addressed the Provincial Textile Controller drawing his attention to the cancellation of licences of certain merchants dealing in cloth, without giving reasons for such a step. The Committee made clear the fact that they were against black market trading and they would under no circumstances justify any black market operations. They, however, were of opinion that the merchants whose licences had been cancelled should be at least made aware of the reasons for their licences being cancelled. Although technically, Government might

be justified in not disclosing the reasons, they were of opinion that an opportunity of knowing the charges levelled should be afforded to the parties whose licences were cancelled. Government in their reply dated 4th July invited the attention of the Committee to clause 8A of Bombay Cotton Cloth Dealers Licences 1943, and pointed out that they had full power to cancel or suspend any dealer's licence and further added that before suspending or cancelling any licence, Government fully considered every case and took action under the clause only when it was found necessary in the public interest. The Committee in a further representation on 19th July while welcoming the assurance given in the letter referred to above asked the authorities the details of the exact procedure which they followed while taking the final decision in cancelling or suspending the licences of merchants. They emphasised the point that before a licence could be cancelled the authorities should give an opportunity to merchants for the alleged breach of the Order and enquired whether any non-official was being associated in the investigations and enquiries preceding such action.

The Provincial Textile Controller in his letter dated 4th November informed the Committee that before any licence was cancelled the party concerned was as a rule given an opportunity to explain his case and only in such instances subject to the overriding consideration of public interest such an opportunity was denied which the Controller deemed was justified.

Bombay Cotton Cloth Dealers' Licensing Order.

In their communication dated the 13th October 1944, the Committee referred to the Cotton Cloth Dealers' Licensing Order issued under the Defence of India Rules by the Government of Bombay requiring cotton cloth dealers to fill in the questionnaires issued under the order. The Committee pointed out that the nature of the questionnaire was such that it went beyond the requirements of Government and as such the cloth merchants should not be asked to fill in the information required under the questionnaire. They, however, in this connection requested the authorities to extend the time-limit to submit their replies.

Government in their letter dated 6th November 1944, informed the Committee that the questionnaire was issued to obtain

information regarding the status and business connections of each licensee and they were issued with a view to elicit information which was essential for such a classification and added that within the period of a fortnight nearly 9,000 cloth dealers out of a total of 12,000 had already sent in their information required under the order.

Carrying of Cotton Cloths to Kathiawar as Personal Luggage.

The Committee addressed a letter on 24th November 1944 to the Textile Commissioner referring therein to the ban on carrying of cotton cloth as personal luggage by passengers from Bombay to Kathiawar. The Committee pointed out that in the past, the Textile Commissioner had given concession to carry as personal luggage 10 lbs. of cotton cloth, the withdrawal, however, of such a concession had been working as a great hardship to the travellers and requested him to restore the concession so far enjoyed by the travelling public. The Textile Commissioner in his letter dated 8th December, informed the Committee that the scheme for supply of cloth and yarn to the above territory had been introduced and under the scheme *bona fide* passengers were allowed to carry 10 yds. or 3 lbs. of new cloth as personal luggage, and the authorities had been advised to issue the necessary instructions to the staff at the Frontier Station. The Committee in a further communication dated 21st December suggested that the quantity of cloth upto the extent of 10 lbs: should be allowed as personal luggage as the concession granted by them was not sufficient to meet the requirements of the passengers travelling to Kathiawad.

Cotton Spinning Spindle Control Order.

The attention of the Committee was drawn to Government Notification No. 58-7A9(i) dated 14th July 1944, under which the Textile Commissioner was authorised to issue licences to sell textile machinery to only six manufacturers in the country. The Notification was adversely affecting the merchants dealing in the mill stores machinery business; the Committee therefore requested the authorities to withdraw the Notification so as to enable all merchants who have been in the trade to continue their business as they were doing hitherto.

Difficulties under the Hoarding and Profiteering Prevention Ordinance.

At the instance of the Bombay Motor Merchants Association, the Committee addressed the Controller-General of Civil Supplies on 21st April regarding the operation of the Ordinance as affecting the motor merchants. The attention of the Controller-General was drawn to the Motor Vehicles Spare Parts Control Order whereunder prices were fixed for motor spare parts in daily use, permits for the sale of which were also granted by the Department. His attention was also drawn to the understanding that the provisions of the Hoarding and Profiteering Prevention Ordinance would not apply to any trade which was subject to control by any other administrative regulation or orders already in force. Subsequently, a Government Press Note clarified the position to the effect that all other items excepting those specifically transferred to the control of the War Transport Department would be covered by the Anti-Hoarding Ordinance and that a profit margin of cent per cent on such items had been fixed. The Committee urged that under the circumstances, any acts done or transactions effected by the motor merchants during the period between October 1943 and January 1944, should not be penalised as the Anti-Hoarding Ordinance did not apply to such transactions.

Cash Memo prescribed under the Hoarding and Profiteering Prevention Ordinance.

In their communication dated 20th April the Committee drew the attention of the Controller-General of Civil Supplies, Bombay, to the forms of cash memos prescribed under the Hoarding and Profiteering Prevention Ordinance and stated that both the wholesaler's form and the retailer's form of cash memo would cause serious inconvenience and hardship to the trade interests concerned as the details prescribed would involve additional clerical labour. Besides, the Committee objected to the memos on the ground that it was unfair for Government to compel traders to disclose to the purchasing public landed cost, etc. In view of the practical difficulties involved, it was urged that cash memo in its present form should be allowed to continue. The Committee had been informed that Government were reconsidering the matter.

The Controller-General in his reply dated 8th May informed the Committee that the objections of the Chamber were being given careful consideration and that the two forms of the cash memorandum were being revised to meet the difficulties of the merchants.

Machine Tool Control.

In their communication dated 29th September addressed to the Director-General of Munitions Production, Calcutta, the Committee referred to the difficulties experienced by certain types of factory owners in getting their requirements of tools, such as files, hack-saw blades, etc. the supply and distribution of which were under his control. The Committee in this connection suggested the release of the articles in question, and if the supply position was not comfortable they suggested that arrangements be made with the supplying countries for the immediate replenishment of such essential tools in order that the factories requiring them might function normally.

The Director-General in his letter dated the 10th October 1944, drew the attention of the Committee to the arrangement and the procedure that was to be followed for securing supplies of tools for private requirements. In this connection he had sent a list of stockists for the various items and had suggested that the parties requiring such tools should get into touch with the stockists whose names they had communicated.

Paper Control (Economy) Order, 1944.

The Committee sent a telegram to the Government of India on 23rd June protesting against the drastic provisions of the order pointing out how these provisions were likely to affect the activities of business houses, industrial concerns, educational institutions, printing houses etc. Government in their telegram dated 24th June maintained that the provisions were not as severe as was thought by the Committee and were, with minor changes, workable in the present critical position of paper in the country. In a further telegram dated 26th June Government requested the Committee to send a representative of the Chamber to a conference which was to be held in Bombay in the month of July. The Committee accordingly nominated Mr. Manu Subedar to attend the Conference.

Arising out of the provisions of the Paper Control (Economy) Order, 1944, the Committee in a letter dated the 3rd July forwarded a summary of the principal views which they held and which they requested the authorities to consider at the conference, chief among them being:

(1) that the provisions should be made applicable to Indian States as well;

(2) that the operation of the order be postponed for a period of three months;

(3) that a cumulative use of paper be sanctioned for the whole year;

(4) that the printers and publishers be allowed the use of newsprints;

(5) that import licences be granted to merchants to import paper from foreign countries;

(6) that the basic year to be selected should either be 1939 or 1943;

(7) that efforts be made to encourage the production of hand-made paper; and

(8) that the coal rationing scheme be revised to enable paper mills to obtain the necessary amount of coal required by them.

Afterwards Mr. Manu Subedar attended the conference of paper interests held in Bombay under the Chairmanship of Sir Akbar Hydari, Secretary to the Government of India, Department of Industries and Civil Supplies. As a result of the deliberations held at the conference certain tentative proposals were made by the interests affected and the authorities. The Committee in this connection issued a general circular to the affiliated associations drawing their attention to the provisions of the Paper Control Order, inviting suggestions from them in so far as adjustments with the provisions and difficulties connected with the order were concerned.

The Committee sent a telegram on 11th August 1944, to the Government of India requesting them to allow printers and publishers newsprint to the extent of about 25 per cent to supplement their requirements. They pointed out in this connection that as a result of the 70 per cent cut in the use of paper, printers and publishers were finding it difficult to carry on their normal work,

and as the newsprint position in the city was rather comfortable they requested the authorities to allow printers and publishers to use newsprint. Government in their telegraphic reply dated 17th August 1944 regretted their inability to accede to the request of the Committee and pointed out that no addition to the quantity admissible to presses under the Paper Control (Economy) Order could be made on the basis of newsprint, as the two orders were different and had no relation to one another.

Paper (Packing of Cotton Textiles) Control Order, 1943.

At the instance of a Member of the Chamber, the Committee drew the attention of the Government of India to the above Order whereunder the use of strawboards for purposes of wrapping cotton textiles was prohibited. The Committee, in view of the large stock of wrapping papers and strawboards being accumulated by the manufacturing factories as a result of the order, suggested that the textile mills should be allowed to use strawboards for packing purposes and that they might be permitted to draw their requirements from mills situated near about the location of the factories.

Draft Drug Rules 1944.

In a communication addressed to the Department of Education, Land and Health, Government of India, on 26th July, the Committee referred to a notification published under the Draft Drug Rules 1944 and pointed out certain defects in the Drugs Act of 1940 and observed that the manner in which the control of drugs was sought to be enforced under the act would create difficulties and might not fully achieve the purpose in view. They sent detailed representation discussing certain clauses of the Act and drew the attention of the authorities to the various lacunae in the act which required consideration in the interest of the trade concerned.

Issue of Licences re : Drugs Control Order.

In their communication dated the 15th March, addressed to the Superintendent of Excise, Government of Bombay, the Committee referred to the granting of licences under the Drugs Control Order, 1943, and drew their attention that under the provisions of the Order, only those firms would be granted licences who had

been continuously in business during 1941, 1942 and 1943. They also referred to the assurance given by Government that the above provision was not intended to penalise *bona fide* dealers and traders. The Committee, in this connection, referred to the representation made to Government by the Chemists and Druggists Association, Bombay, and urged that the members of the Association who had applied for the licences would be treated sympathetically and licences granted to *bona fide* traders although some of them might not be continuously in business during the three years as required under the Order. Government in their reply dated 30th March informed the Committee that their policy of granting concessions under Clause 6(2) of the Drugs Control Order had been modified as a result of which more dealers were likely to get licences.

Scale of Licence Fees fixed under the Drugs Control Order.

In their telegram dated the 6th January addressed to the Government of India the Committee drew attention to the high scale of licence fees fixed under the Drugs Control Order, viz. Rs. 600 for importers, manufacturers and wholesalers in Bombay and Rs. 80 to Rs. 120 for retailers. Such an extraordinarily high rate of fees was tantamount to a tax on the trade and could not be considered as licence fees which should only be nominal. While fixing the fees, the Advisory Committee was not consulted which should have been done in the interests of trade. It was suggested that Government should take the advice of the Advisory Committee regarding the main proposals which might be considered by Government from time to time.

Government in their reply dated 12th January informed the Committee that it would not be possible for them to make any amendment in the scale of fees fixed and that the control prices of drugs were fixed in full consultation with the trade. The Committee in a further communication dated the 29th February estimated the total trade in drugs and medicines, both imported and indigenous, to be about Rs. 6 crores per annum and that the present scale of fees would amount to about 10 per cent of the total value of the trade which was considered as a heavy tax on the trade. It was urged that the matter should be reconsidered in the interests of the trade as licence fees could only be nominal. The Committee were constrained to observe that the Indian trade

interests were not consulted before such decisions were taken by Government.

Exemption of Castor Oil from the Drugs Control Order.

At the instance of the Swastik Oil Mills Limited, Bombay, the Committee on 25th May addressed the Government of India urging exemption of castor oil from the Drugs Control Order. It was stated that refined castor oil could not be treated as a medicine or a drug for purposes of the above Order. This oil was sold in the retail shops, provision stores, etc. for purposes other than medicinal. Besides, if castor oil was treated as a drug or medicine, only licenced druggists and chemists would be able to hold stocks of the same. This would act as a practical difficulty for the public to secure a fresh supply of this oil from stores generally. Ordinary retail stores would also not be in a position to take out licences for the sale of the oil, and if Government insisted on treating oil as a medicine, such stores would cease dealings in such oil. It was, therefore, urged that castor oil should be exempt from the Drugs Control Order and allowed to be sold freely in general stores.

Government in their reply dated 2nd June invited the attention of the Committee to Clause 19 of the Drugs Control Order 1943 in which it was stated that the order did not apply to any chemicals or other articles which were intended to be used solely for purposes other than treatment, mitigation or prevention of disease in human-beings or anyone or persons solely dealing in such chemicals. The Committee in a further communication dated 16th June urged that in order to clear the position beyond any chances of doubt Government should specifically exclude refined deodorized castor oil from the scope of the Drugs Control Order thereby doing away with the question of requirements in regard to licences under the order. Government in their letter dated the 13th August 1944 informed the Committee that they had accepted their suggestion and that castor oil would not be included in the provisions of the Drugs Control Order.

Pipe Control Order.

As published in the Annual Report of the Chamber for the year 1943, the Committee had complained to Government regarding the working of the Pipe Control Order whereunder all stocks

of pipes were frozen and sale of such pipes was allowed only under the written authority of the Pipe Controller. Government in their reply dated 16th December 1943, informed the Committee that the order was not a freezing order and that there was no obligation on Government to acquire all available stocks of pipes in the country. The Lease-Lend stocks imported from America were brought into the country on the understanding that the present restrictions on the sale of pipes would not be removed. The supply position of the commodity was not such that the control could be lifted as suggested by the Committee.

The Coal Control Advisory Board.

In their communication dated the 3rd October 1944 to the Hon'ble the Supply Member, Government of India, the Committee invited his attention to the functions of the Coal Control Board and the advisability of making the Board more effective in solving the great difficulties which the country was facing as a result of coal shortage. In this connection they referred to the inability of the representative of the Federation of Indian Chambers of Commerce and Industry on the Coal Control Board to be of help in the solution of the difficulties in view of the fact that questions regarding the shortage of coal were not brought before the Coal Control Board for consideration, as also the question of distribution and raising of coal. They, therefore, emphasised that the functions of Coal Control Board should be widened in the interests of trade, commerce and industry, and that the Board should be taken into confidence with regard to the questions concerning the increase in raisings of coal and its equitable distribution, etc. They also referred in this connection to the export of coal to Portugal according to a Press Report which appeared in the "Daily Mirror," London, and observed that export of coal from India was likely to bring serious consequences to the country, because she was already suffering from acute shortage of coal.

Coal Rationing Scheme.

In their telegram dated 16th February addressed to the Hon'ble Member for War Transport, Government of India, the Committee drew attention to his statement regarding the Rationing Scheme on the floor of the Central Assembly that Government had agreed to the export of 100,000 tons of coal per month, parti-

cularly when the raisings in India were very poor and essential industries were starved for want of coal. The position was still more aggravated by the fact that Government had agreed to export this tonnage of coal themselves under the circumstances when His Majesty's Government had requisitioned most of the ships on Indian Register, Government were requested to withdraw the ships requisitioned by His Majesty's Government and utilise the same for transporting the essential needs of the industry of the country. It was urged that early steps should be taken in the interests of the indigenous industry by providing necessary transport facilities for coal for industrial purposes.

Coal required by Railways in Kathiawad—Distribution by the Deputy Coal Commissioner.

In their telegram dated the 25th October 1944, the Committee referred to the Government's proposal for arrangement of supplies of coal required by Railways in Kathiawad directly through the Deputy Coal Commissioner in charge of distribution and pointed out that this work was being done during the last 20 years by the coal trade and that the arrangements prevalent for all these years should not be suddenly discontinued, displacing thereby established trade channels. The Committee urged upon the authorities that the proposal under contemplation may be abandoned and that the distribution arrangements be continued through the normal trade channels.

Difficulties connected with the Supplies of Coal.

The Committee in their letter dated the 5th August 1944, drew the attention of the authorities to the question of coal shortage in the country. They pointed out that as a result of the depletion of coal stocks industrial plants which had hitherto rendered valuable services had in some instances to lie idle for weeks for want of coal. They also referred to the conference held at Calcutta which formulated a few points upon which the authorities concerned might concentrate with a view to improve the coal raisings, as also the distribution of coal in the country. The Committee criticised the policy of the Government of India in allowing exports of coal when the industry at home was being penalised for want of sufficient supplies. In conclusion the Committee requested the authorities to do all in their power to supply

coal to industries in order that they may be able to continue their work without any interruption.

In their communication dated 11th January 1944 addressed to the Controller of Coal Distribution, Calcutta, the Committee drew attention to the insufficient stocks of coal on which the ginning factories had to work. The Central Cotton Committee recommended quota of coal for these factories at a much reduced scale while the Coal Controller reduced the same still further while alloting coal. Besides the Priority Certificates issues for one particular month were not allowed to be used for the next month. The Committee requested the Controller to look into these difficulties and also urged that ginning factories should be allowed to obtain their supplies from other collieries not requisitioned by Government. The Controller in his reply dated 24th January informed the Committee that steps were being taken to make good the shortage suffered by the ginning and pressing factories. He further stated that additional quantities of coal would be made available to the ginning factories in consultation with the Textile Commissioner in Bombay. Government in their letter replied that additional quantities of coal would be made available to factories in consultation with the Textile Commissioner in Bombay. The Committee in a further letter dated 6th April 1944 drew attention to the acuteness of the situation resulting from short supply of coal. They also sent a detailed statement of parties who had been receiving short supply and who needed coal urgently to continue working.

In a communication dated 29th February addressed to the Controller of Coal Distribution, the Committee advised in the interests of the textile industry that where wagons supplied to the textile mills were short of the original allotment in any particular month, the shortage should be made good in the subsequent month or months. It was pointed out that a similar provision had been made in the case of ginning and pressing factories.

The Committee in their communication dated 29th February addressed to the Controller of Coal Distribution, pointed out that the Alembic Chemical Works Co., Ltd. Baroda, should be granted priority for coal supplies for their works as otherwise the various essential consumers' goods turned out by the factory would cease to be manufactured.

At the instance of a member firm, Messrs. Walchandnagar Industries Ltd., the Committee addressed a letter on 7th July to the Director of Civil Supplies, Bombay, bringing to his notice the difficulties which the firm were experiencing as a result of shortage of coal. They pointed out in this connection that the firm was under a contract with the Government for Royal Mail Service and as such Government should endeavour to meet their coal requirements as also to enable them to run their lorries which were fitted with producer gas plants. The Committee requested the authorities to consider the case sympathetically and to do the needful in the matter. The Director of Civil Supplies in his letter dated 21st July 1944 observed that the District Magistrate, Poona, had been requested to meet as far as possible the demand of charcoal for Messrs. Walchandnagar Industries.

The Secretary, Board of Transport also, in this connection drew the attention of the Committee that a priority certificate was issued to Messrs. Walchandnagar Industries in April last for transport of charcoal—10 wagons of different varieties. He further added that the party was unable to make use of this priority, because it had not previously obtained a permit from the Deputy Commissioner of the District from which charcoal was to be moved. He further drew the attention of the Committee that it was one of the principles of transport in war time that the goods should be ready for despatch before priority was applied for and in the particular case under reference, the priority was applied for even before the applicants were in a position to despatch the goods.

The Committee in their further communication dated the 7th September 1944 referred in this connection to the question of priority and observed that when the company applied for priority they had the necessary permit to book charcoal; there was then no restriction on movement of the article outside C.P. limits. But the Transport Board, however, took nearly 2 months to grant the priority certificate, the same, however, was rendered inoperative by the C.P. Government as in the meanwhile, restrictions on the movement of charcoal were imposed and as such charcoal from C.P. could not be booked to its destination. As regards the observation of the Board intimating the party that the Collector of Poona would arrange to supply charcoal to Messrs. Walchandnagar Industries Ltd., the Committee pointed out that the Collector

of Poona had expressed his inability to be of assistance to them in the matter. The Committee finally requested the authorities to do the needful in the matter and supply charcoal to Messrs. Walchandnagar Industries Ltd. as soon as possible.

At the instance of Messrs. Nowroji N. Vakil & Co., Ahmedabad, the Committee addressed a letter to the Deputy Coal Commissioner (Distribution) Calcutta, on 1st December 1944 and referred to the difficulties which the firm in question were experiencing as a result of the depletion of stocks of coal. The Committee pointed out that the actual requirements of the firm were 125 wagons up to November 1944 while they had received only 39 wagons. The Committee therefore suggested that full quota be provided to them to enable them to continue their work without any interruption.

In this connection they also addressed a letter on the 14th November to the Supply Department of the Government of India and referred to the faulty system of distributing coal under the present arrangement and invited the attention of the authorities to devise a scheme by which coal could be equitably distributed to consuming centres. While on this question the Committee referred to the interview which Mr. Madhavlal M. Bhatt had with the Supply Member when the latter was in Bombay and suggested that representation to this Chamber be given to represent commercial interests of the Western Zone which was comparatively industrially better advanced than other parts of the country. The Committee further urged that the question of raisings and distribution of coal should be brought before the meetings of the Coal Control Board which it was never done so far. In conclusion, they requested that all possible steps be taken to supply coal to industrial and civil requirements equitably and immediately.

Shortage of Coconut Oil in Bombay City.

In a communication addressed to the Director of Civil Supplies on the 29th July the Committee drew the attention of the authorities to the serious shortage of coconut oil in the city and requested them to take the matter with the Governments of Cochin and Travancore States with a view to persuade them to supply *copra* to the city at parity prices in relation to the price fixed by Government for coconut oil in Bombay. They also urged the

authorities to prevail upon the Ceylon Government to abide by the import quota fixed for the supply of *copra* to Bombay city.

Government in their reply dated 11th August 1944 informed the Committee that they had already taken action to expedite shipments of oil from Ceylon and that within a short time coconut oil for civilian consumption would be available for sale at selected Government Grain Shops in the city. They also pointed out in this connection that supplies of coconut oil, particularly from Cochin and Travancore, would be made available and that the Government of India were considering the question of controlling prices on an all-India basis in consultation with the Governments of *copra* producing areas.

Licensing of Imports of Dyes and Chemicals

The Committee in their telegram dated 18th February 1944 addressed to the Government of India, Commerce Department, drew attention to the proposal for grant of licences for imports of chemicals and dyes only through accredited representatives of manufacturers, and stated that such a proposal would react very adversely on the merchants concerned as the same would result in a monopoly to certain agencies. It was urged that the proposal should be dropped and that licences for imports of chemicals and dyes should be continued to be granted to importers without any distinction being made as between direct representatives of manufacturers and others.

The Government of India in their reply dated 14th April informed the Committee that issue of licences for chemicals like hydrosulphite of soda and zinc chloride to the accredited representatives of manufacturers was only as a temporary measure for the current shipping period only. They assured the Committee that in case of other chemicals, it was not proposed to alter the system at present existing. The Committee were also informed that the Standing Advisory Committee consisting of 17 members had been appointed to advise Government in the matter of imports and distribution of chemicals. The Committee in their further reply dated 31st May stated that even as a temporary measure, Government should not have adopted the procedure which would result in canalisation of the trade. It was urged that the trade should be left free to import on the basis of previous imports and no monopoly should be granted.

It was also urged that while considering allotment of quotas and the issue of licences for imports, Government should take into consideration Indian production meeting the internal requirements and that licences issued should be strictly limited to the extent of deficiency in local production and supply. The policy of assisting imports in these abnormal days would adversely affect the position of the Indian industry. The Committee suggested that the Indian Chemical Manufacturing interests should be represented on the Advisory Committee to be attached to the Supply Department in the work of assisting importation of supplies.

In a further telegram dated 29th June, the Committee reiterated their objections and requested Government not to accord their sanction to imports of hydrosulphite of soda and zinc chloride through the accredited representatives of manufacturers alone, but to allow imports of the same through the normal system of granting licences to recognised importers on the basis of their past share of imports.

Clearing Licence re : Medical Goods imported from the U.K.

At the instance of the Chemists and Druggists Association, Bombay, the Committee addressed the Chief Controller of Imports urging for a change in the procedure of granting Clearing Licences in the matter of medical goods imported from U.K. In addition to the importers' licence required for the clearance of goods, the importers were required to have another licence from the Government of India at the time of actually clearing the goods which had already arrived, which licence was granted on instructions from India Office. It was complained that the goods oftentimes arrived before the Clearance Licence was issued to them, in which case the goods had to be cleared on the execution of a Bond which was issued on payment of a fee, which was not refundable. It was urged that the second Clearance Licence was not necessary and that the requirement of executing a Bond for the clearance of goods should also be dropped.

The Chief Controller of Imports in his letter dated the 29th June informed the Committee that arrangements had been made to ensure that clearance permits were issued promptly on receipt of intimation of shipment which was received by Microgram service, and added that the delay and consequent difficulties under

the revised arrangement would not occur in future. As regards dispensing the permits, he expressed his inability to do away with the permit system as drugs could not be imported without a licence required under the Drug Control Order.

Import of Empty Collapsible Tubes from U.K.

In their letter dated the 24th November addressed to the Department of Industries and Civil Supplies, the Committee referred to the correspondence they had with the Department on the above question and drew their attention that Messrs. Maganbhai Amin & Co. were not still in a position to get the required empty collapsible tubes. In this connection the Committee pointed out that the firm had made every effort to secure their required sizes from indigenous sources especially from those two concerns whose names the authorities had suggested; but it was regretted that the firm in question was not in a position to get the required articles. Under the circumstance they requested the authorities to consider the case of the firm sympathetically and arrange for the necessary permit to import collapsible tubes from U.K.

Import Licences for Millstores.

In their communication dated the 25th May addressed to the Government of India, Department of Industries and Civil Supplies, the Committee drew attention to the difficulties experienced by merchants dealing in textile stores and machinery in the matter of getting licences for the importation of their requirements of millstores. They pointed out that licences for imports were being granted on the basis of share of imports from the U.K. only. It was urged that such licences should be issued on the basis of total imports from all other countries and not only from U.K.

Import of Cotton Ropes, Tapes and Bandings.

At the instance of the Textile Stores and Machinery Merchants' Association, the Committee addressed a letter to the Government of India on the question of imports of cotton ropes, tapes and bandings and suggesting that it had been their considered policy to restrict imports of the articles referred to above and to give as much encouragement to indigenous production as possible. During recent times, however, it was found that imports of these articles were being encouraged by the authorities at the

cost of indigenous industry. They, therefore, requested them to take recourse to imports of these articles only if the internal production was not sufficient to meet the requirements of the Textile Industry.

Import Licences for Watches.

In their letter dated 13th June, addressed to the Deputy Chief Controller of Imports, the Committee had requested that import licences be granted to merchants who were dealing in the trade on the basis of their share of purchases in normal periods through importing houses or agents of manufacturers, or in the alternative some arrangement be made under which the importing houses and the agents of the manufacturers should distribute a prescribed quota for sales through the dealers.

Restrictions on the Import of Cashewnuts.

In a telegram dated the 11th August 1944, addressed to the Commerce Department, the Committee referred to the prohibition on the imports of raw cashewnuts from Portuguese East Africa as per their notification restricting importers to import cashewnuts till the end of June 1943. The Committee pointed out that such a provision as specified in the notification, would put importers to considerable financial loss and would throw a large number of Indian labourers engaged in the industry out of employment. They, therefore, requested the authorities to consider the case sympathetically and grant licence for import of raw cashewnuts.

In their further communication dated 21st December, addressed to the Commerce Department, the Committee referred to the restrictions on import of cashewnuts from Portuguese East Africa and suggested that the restrictions be waived in the interests of those who were engaged in the trade. They also referred, in this connection, to their previous telegram dated 11th August, referred to above, wherein they had supported the case brought to their notice by the Memon Chamber of Commerce, Bombay.

As regards the shipping difficulties to be overcome if such restrictions were relaxed, the Committee pointed out that the country-craft owners were too anxious to carry the cargo from the producing centre to India. They, therefore, requested the authorities to grant open general licences to import cashewnuts from the Portuguese East Africa.

Import of Rabbits into India.

In their communication dated 28th September, the Committee invited the attention of the Government of India, Department of Food, to a report which appeared in the press that the authorities were arranging to import 10,000 rabbits into the country to provide food for the Army. In this connection, they wished to know whether Government had examined the long-term consequences of any such steps on the agricultural economy of the country, in view of the fact that rabbits breed and multiply in large numbers, and do considerable harm to agricultural production. Government should therefore consider the long-term consequences that would ensue from such a course.

Stamping and Fixing of Ceiling Prices on Cotton Goods Imported into India.

The Textile Commissioner by his letter dated 27th May requested the Committee to nominate a representative of the Chamber on the Committee to be appointed for the purpose of fixing ceiling prices for imported cotton goods. The Committee in their reply dated 10th June nominated Mr. Chimanlal B. Parikh to represent the Chamber on the Committee.

In this connection, they further observed that a similar procedure in respect of details regarding the manufacturers' basic cost of production and such other relevant information which Indian manufacturers were required to submit to Government should be made applicable while fixing the ceiling prices of imported goods.

Export of Oilseeds and Edible Oils.

As recorded in the Annual Report of the Chamber for the year 1943, the Committee had suggested complete prohibition of exports of groundnuts from the country as such seeds having food value would relieve the food deficiency in the country. Government in their reply dated 6th March informed the Committee that a limited quantity of groundnuts and oilseeds were allowed to be exported to meet essential war requirements of places overseas. They also assured the Committee that the position was being watched carefully by Government.

In a further telegram dated 29th June the Committee emphasised the point over again bringing to the notice of the authorities that if export of groundnuts was allowed, it would result in the depletion of stocks of the article thereby raising prices of groundnut oil, vegetable ghee and manures which were essential requirement in the country. They, therefore, suggested that a policy of complete stoppage of exports of groundnuts for the duration of the war should be followed.

Shipment of Oilseeds and Purchase of Oilseeds for Australia : Quota of.

In a telegram dated 19th August 1944, the Committee drew the attention of the authorities to the injustice done to Indian exporters by the procedure laid down for regulating exports of non-essential oilseeds like linseed, castor seed and groundnuts under which licences for countries like Australia and New Zealand were granted only on the basis of exports in the year 1941-42. They further observed that the export trade in oilseeds to Australia and New Zealand had developed recently with the result that only 2 or 3 non-Indian agencies would be entitled to a quota under the scheme formulated by Government. They, therefore, suggested the authorities in this connection that exports to Empire countries like Australia and New Zealand should be treated on the same basis i.e. Australia and New Zealand Governments should be allowed to buy oilseeds on their account directly from all established exporters on the basis of open tender.

Restriction on Exports of Cardamoms.

At the instance of the Bombay Kariana Merchants' Association, the Committee addressed a letter on the 23rd September, 1944, to the Government of India, Food Department, requesting them to remove restrictions on exports of cardamoms. It was pointed out that last year the cardamom crop was a bumper one and the restrictions on exports had resulted in the accumulation of huge stocks, as a result of which prices of the article had considerably gone down. The Committee, therefore, requested Government to look into this matter and to arrange for the necessary relaxation of the existing control on exports of cardamoms so that the country might be enabled to send out her exportable surplus of the article under reference.

Government in their reply dated the 7th October 1944, observed that they regretted that they were unable to accede to the request of the Committee regarding relaxation of the existing control on the export of Cardamoms. In their further communication dated the 26th October 1944, the Committee expressed their disappointment that Government had not thought it fit to explain the circumstances under which they were unable to agree to the suggestions made by the Committee. They re-emphasised the points they had mentioned in their previous letter and requested Government to explain the reasons as to why the latter were not in a position to remove the restrictions on the export of the article referred to above.

Export of Jari Goods to Persian Gulf Ports.

In their communication dated 21st February addressed to the Government of India, the Committee drew attention to the difficulties experienced by Jari exporters as a result of Government ban on exports of Jari to Persian Gulf ports. They stated that the gold and silver thread industry was run on the line of small scale industries which was responsible for giving employment to thousands of workers in Bombay and Surat. It was urged that licences should be issued for export of Jari as in the past before October 1943 to enable the Jari merchants to carry on their trade as otherwise the trade would suffer and many workers would be thrown out of employment. Government in their reply dated 24th April informed the Committee that real jari gold and silver thread as also imitation gold and silver thread would be allowed to be exported on the basis of the previous exports under certain conditions.

Export of Cotton Shoe Laces.

In their letter dated 12th June addressed to the Export Trade Controller, the Committee referred to the Notification No. 584 dated 3rd May 1944, under which export licences were to be confind only to *bona fide* manufacturers of cotton shoe laces. In this connection, they drew the attention of the authorities to the practical difficulties of traders dealing in this commodity, and enquired as to the circumstances under which the export of shoe laces by manufacturers alone was permitted.

Exports of Articles of Foodstuffs to U.K. by Postal Parcels.

As published in the Summary Report of the Committee for the year 1943 the Committee had protested against the policy of Government of allowing export of foodstuffs by postal parcels. Government in their reply dated 10th February drew attention to the regulation under which such gifts were sent overseas. Besides, licences were granted for such exports on merits of individual applications. Red Cross Relief Supplies were allowed to be sent for British Prisoners of War in the Far East when required. The sick and wounded Indian troops in Ceylon, Iraq and the Middle East were also supplied with small necessities of foodstuffs as and when necessary.

Licences for Export of Cotton Piecegoods to Australia.

As published in the Annual Report of the Chamber for the year 1943, the Committee had addressed the Government of India protesting against the basis of granting export licences for piecegoods to Australia. Government in their reply dated 23rd February informed the Committee that as the quota fixed for Australia was 50 per cent of the level of exports to that country during 1941-42, any modification in the basis would curtail the average of quotas granted to exporters under the prevailing basis. They, however, assured the Committee that any undistributed balance of quota not utilised by established shippers would be distributed to parties deserving consideration.

Exports of Raw Silk.

The Committee in their communication dated the 10th February addressed to the Government of India protested against the unrestricted export of raw silk from the country at a time when raw silk required for civil consumption was almost unobtainable on account of the supplies in the country being requisitioned by Government for war needs. Besides the acute shortage of raw silk was responsible for high prices. The other contributing factor in making the supplies of raw silk difficult was that Mysore Government were compelling the reelers of raw silk to sell their products to the State. Under the circumstances, the Committee felt that the exports of raw silk should be completely prohibited either on Government account or on private account. Govern-

ment in their reply dated 1st March informed the Committee that export of raw silk from India was not permissible.

Export of Ginger to U. S. A., from Cochin Port.

In their communication dated 30th March addressed to the Export Trade Controller, Bombay, the Committee referred to the prohibition of exports of ginger from the British Indian Ports, but at the same time drew the attention of the Controller that such exports were allowed from the Port of Cochin. The Controller was, therefore, requested to grant quotas to British Indian Merchants based on their previous exports, for the purpose of export of ginger to U.S.A. from the port of Cochin and thus assist such merchants in having their share of the trade.

Export of Iron Nails to Noa Goa and Calicut.

In their letter dated 10th November addressed to the Iron and Steel Controller, the Committee referred to the difficulties which Messrs. Ambica Steam Navigation Co., Ltd., were experiencing because of restrictions on the export of iron nails to Noa Goa where some countrycrafts were lying for purposes of repair. The Committee requested that necessary permits to export the articles referred to above be granted so that the countrycrafts could be utilised for transporting goods from one place to another.

Export of Printing Types to East Africa, Dar-a-Salaam, etc.

At the instance of a member firm the Committee addressed a letter on 13th September 1944, to the Deputy Director of American and Panel Imports, Calcutta, regarding the difficulties experienced by the Gujerati Type Foundry, Bombay, in connection with the export of types to East Africa, Dar-a-Salaam, etc. The Committee, in this connection, understood, that there was no restriction on the export of types to Dar-a-Salaam provided the importers at the other end assured to export to India an equal quantity of scrap metal used for the purpose of manufacturing types. Such a condition the Committee felt was working adversely and as such requested that the restriction be waived and that the Gujerati Type Foundry be given unrestricted permission to export types to Dar-a-Salaam, etc.

The Deputy Director of American and Panel Imports, Calcutta, in his letter dated 13th October 1944, replied that he

was unable to allow export of types in question unless scrap metal was imported into India and suggested that the importer in East Africa should be advised to send part of his scrap to India and added that some firms were actually receiving export licences from him on such a basis. The Committee in a further communication on the subject reiterated their views which they had expressed in their previous letter and pointed out the inherent difficulties in the procedure laid down by the American and Panel Imports. The Committee further observed that whenever the presses made fresh purchases of types they first purchased the required varieties of types and got them distributed in different cases; only after new types were thus distributed the old worn out types would be returned as scrap metal. It would thus be seen that the procedure as enunciated was not workable and therefore emphasised the export of types be permitted without any restrictions. The Deputy Director in his letter dated 27th November 1944, replied that the Gujerati Type Foundry had been granted export permit as a special case and on receipt of the material in the importing country, the importer would send an equivalent quantity of scrap to India.

Duty on the Export of Groundnuts from the Nizam's Territory.

In their telegram dated 13th January 1944, addressed to H. E. H. the Nizam's Government, the Committee referred to the proposed levy of an additional duty on exports of groundnuts from the States territory and stated that as a result of the same merchants in British India would be hard hit in respect of commitments already made by them. It was also stated that even the interests of the State and the cultivators would suffer in the long run if the duty was levied.

V. GENERAL.

Release of Mahatma Gandhi.

In their telegram dated the 3rd May, addressed to the Government of India the Committee drew attention to the failing health of Mahatma Gandhi and requested that he should be released forthwith from his detention. It was stated that

Mahatmaji's health was the supreme concern of the country and that in view of his age and the present ill-health, Government should seriously consider the question of his release as otherwise there was a possibility of great complications and serious repercussions in the country.

Appointment of non-Indian as Finance Member of the Government of India.

The Committee in their telegram dated 22nd December protested against the appointment of a non-Indian to the post of the Finance Member of the Viceroy's Executive Council and added that it was essential that all vital posts such as Home, Finance and War Transport Membership ought to be filled by capable Indians whenever the existing incumbents vacated their offices. The Committee observed that the particular appointment referred to was an insult and humiliation to this country and showed absolute lack of trust in Indians expressing the determination on the part of His Majesty's Government to keep out capable Indians from holding responsible positions connected with vital departments. The Committee in conclusion earnestly requested that H. E. the Viceroy would yet be pleased to appoint a capable Indian as Finance Member of the Government of India.

Interview with the Hon'ble Sir Jwala Prasad Srivastava, K.B.E., Member for Food, Government of India

The Committee had an interview with the Honourable Sir J. P. Srivastava on the 5th September 1944, when the following matters were discussed :—

(1) Supply of foodgrains in the country.
(2) Procurement of foodgrains.
(3) Uniformity in policy.
(4) Trade channels—personnel.
(5) Increase in production.
(6) Export of edible oilseeds.
(7) Slaughter of prime cattle.
(8) Statistics re : agricultural economy, etc.

Supply of Milk.

As published in the Annual Report of the Chamber for the year 1943 the Committee had addressed the Government of

Bombay emphasising that inconsiderate slaughter of prime cattle should be stopped with a view to increase the supply of milk. Government in their reply dated 18th January informed the Committee that slaughter of useful cows and bullocks had already been prohibited and that a subsidy for transport of dry milch animals from Bombay city to breeding areas had been sanctioned. The Committee in their reply dated 16th February desired that the term "useful cows" should be properly defined in order that the slaughter of cows capable of breeding might be prevented. They suggested that an age limit should also be fixed in the case of cows as had been done in the case of bullocks. It was suggested that with a view to preserve dry cattle grazing facilities in the vicinity of Bombay should be provided. Government were requested to furnish the Committee with detailed information regarding particular measures taken by them to increase the supply of milk in the city.

Government in their reply dated 22nd May, informed the Committee that the reduction in the slaughter of cattle in Bandra slaughter house was under consideration. They were also subsidising the transport of dry milch cattle from Bombay City to breeding areas under which scheme a maximum of Rs. 5/- per head of dry cattle exported was given to those owners who had imported cattle in milk. The Scheme of the Bombay Humanitarian League for the establishment of centres for preservation of about 4,500 useful dry cattle in breeding areas and in panjrapoles had been sanctioned by Government. They had undertaken three other schemes by which a larger supply of milk would be available to Bombay. They would also put into operation a scheme under which every infant below two years would be able to obtain upto ½ a lb. of milk at half the market rate. They assured the Committee that they were taking all possible steps to improve the milk supply of the City.

The Committee in a further letter dated 2nd June 1944, while referring to Government's letter regarding arrangements they had made to improve the supply position of milk, inquired regarding the detailed progress made in regard to the schemes and proposals submitted by them to the Committee. The Committee also enquired as to the steps the authorities had taken to remove the difficulties regarding the improvement of supply position in the

number of milch cattle available for import to Bombay. Government in their reply dated 20th July 1944, observed that all the points raised by the Committee in their letter referred to above were under their active consideration and stated: (1) about 500 acres of land in Palghar Taluka had been leased to Messrs. Adarsha Dugdhalaya for maintaining a Dairy Farm consisting of both dry and milch cattle; (2) a farm for maintenance of dry cattle had been maintained at Palghar with a capacity of 300 dry cattle where 234 buffaloes had already been received; (3) the Infant and Public Milk Supply Company, Palghar, had increased their daily supply of milk from 600 lbs. to 1,800 lbs., and observed that a Special Committee of non-officials had been appointed at the instance of the Standing Committee of the Food Advisory Council to examine all aspects of milk supply to the city.

In their communication dated the 3rd November 1944, the Committee referred to Government letter dated the 2nd October in connection with the economy in the use of milk in tea, coffee, curds and buttermilk. The Committee emphasised the fact that already the supply of milk was insufficient to meet the requirements of the citizens of Bombay, and the little quantity of milk which they were using in tea, coffee, curds, etc. if reduced would deteriorate the general health of the public. They, therefore, requested the Government of Bombay to increase the supply of milk by importing more milch cattle to the city to replenish the milk supply, as also to import whole milk pasteurised in refrigerating vans from nearby areas, thus enabling the citizens to use sufficient milk to nourish their bodies. Use of milk for civil purposes was as important as it was for people on the war-front and the Committee emphasised that the civil requirements also deserved as much importance as the military requirements.

Increase of Sugar Ration for the Bombay City.

In their communication dated 23rd February 1944, addressed to the Sugar Controller for India the Committee drew attention to their past correspondence on the subject and referred to the Central Agricultural Marketing Department Report wherein the *per capita* consumption of sugar in Bombay was given as 7 lbs. per month against 3 lbs. allowed under the rationing scheme. It

was urged that in view of the above, Government should consider the advisability of increasing the sugar ration for the Bombay City.

The Sugar Controller in his reply dated 15th March, informed the Committee that the centre was alloting quotas for provincial areas generally and not for particular cities. It was the responsibility of the provinces to see to the fair allotment of quotas for particular towns. He however, assured the Committee that the consumption of sugar in the Bombay Province in the past had been taken into consideration while allotting the general quota for the presidency.

Supply of Sugar for Manufacturing Confectionaries.

The Committee addressed the Government of Bombay on 6th April, recommending adequate supplies of sugar to the National Confectionery Mfg., Co., Bombay, in view of the fact that the factory had a standing of 30 years and that they had considerable clientele which had to be catered.

Supply of Wheat Flour for Biscuit Manufacture.

It will be recalled that the Committee had carried on correspondence with the Government of Bombay in connection with the supply of wheat for biscuit factories in Bombay and particularly in connection with the quota of wheat granted to Messrs. Parle Products Mfg. Co., in reply to which Government had regretted their inability to issue licence for wheat or wheat products for civilian consumption. The Committee in a further representation dated 1st March drew attention to the fact that while biscuit factories in Bombay were not given wheat supplies for the manufacture of biscuits for civilian consumption, factories from other parts of the country were allowed to dump their products in the city and thus put at a disadvantage the local factories. The result was that the local factories had almost lost their clientele which they had secured after much effort and which clientele could be retained for them only if Government supplied wheat for the manufacture of biscuits for civilian consumption. Against the plea of Government that the basis of rationing would suffer if such supplies were released for the factories, it was again suggested that the articles might be rationed on the basis of the Bread Ration already in force. In any case if Government were not agreeable

to supply wheat, barley flour of 60% extraction should be made available to the factory instead.

Government in their letter dated 18th August 1944, observed that they had received a reply from the Government of India to the effect that they were unable to meet the total wheat requirements of the biscuits manufacturing trade in Bombay City and it was not possible to meet the demand from local stock. On the question of restriction on the wheat flour for manufacture of biscuits to other provinces, Government replied that the Government of India were not prepared to accept the proposal made by the Committee.

Supply of Barley under the Rationing Scheme.

In their letter dated 10th February, addressed to the Government of Bombay, the Committee objected to the public of Bombay being forced to accept a part of barley along with their wheat ration as it was ascertained that the type of barley was unfit to be used as food. They were of opinion that in the absence of sufficient stock of wheat the public might be allowed to have three-fourths of their wheat quota and that they might not be compelled to buy the portion of barley allowed under the rationing scheme. If this was not possible Government should supply edible barley and not the type of barley at present distributed. It was urged that compulsory distribution of barley should be abandoned.

Government in their reply dated 28th February, informed the Committee that in future the public would be given the choice to accept either dehusked barley or barley in the husk. They, however, did not accept the suggestion of the Committee to make the purchase of Barley optional and not compulsory. The Committee in their reply dated 17th March, pursued the matter further with the Government of Bombay urging that the distribution of barley under the ration should not be compulsory and that the quality of the stuff should be improved and its price reduced.

Government in their reply dated 28th March 1944, informed the Committee that from 2nd April the ration of barley would not be made compulsory provided no other cereals was taken in place of the barley not so drawn. In a further communication dated 8th April, the Committee suggested to Government that the Barley part of the Barwheat ration should be substituted by any

other cereal, to which the Committee were informed that Government were unable to accede to their request.

Stabilisation of Prices for Coarser Varieties of Rice and Millets.

In response to an enquiry made by the Federation of Indian Chambers of Commerce and Industry at the instance of the Government of India, the Committee in their communication dated 24th January, informed the Federation that it was not possible to give any indication as to the level at which the prices for rice should be stabilised in relation to millets as the prices in different parts of the country differed very widely. The Committee were of opinion that any stabilisation on the present basis of high and abnormal prices was not possible in the interests of the public. They further stated that the prices of coarser varieties of rice and millets should be adjusted in such a manner that the price fixed for Bajri should be about 80% of that fixed for rice and for Jowar about 70% of that for rice.

Opening of Government Grocery Stores for Civilian Government Officials, Staff, etc.

In their communication dated the 3rd November 1944, the Committee referred to the decision of the Government to open Government Grocery Stores for Civilian Government Officials and staff to make their purchases at concession rates. In this connection the Committee pointed out that as a result of these operations by Government, the supplies available to the public would be considerably shortened and in some cases many articles might not be available to the public. Further they pointed out that the scheme would be operated at the cost of the civilians and as such the same should be withdrawn in the interest of the general public; Government Officials besides purchasing their requirements in toilet requisites would also be at liberty to purchase from regular shops and stores thereby endangering the question of public supply to a great extent.

The Fire Explosion at the Bombay Docks.

Matters arising out of the explosions, which occurred in the afternoon on 14th April 1944, and consequent fires, engaged the continued attention of the Committee. They had, in this connection, appointed an *ad hoc* Sub-Committee, to go into the several

issues arising therefrom, particularly in the matter of losses suffered by the people and repercussions, direct and indirect, on the commercial community. The locality which was affected was the centre of many important trades. The first and immediate question which had to be tackled was in the matter of providing relief to those affected in the form of food, clothing and shelter. As members are aware, a Citizens' Emergency Relief Committee was formed in this connection and the President of the Chamber served as one of the Vice-Chairmen of that Committee and the Secretary of the Chamber as one of the Secretaries. Many members of the Chamber were also on that Committee. Thus, the Committee of the Chamber, through their representatives, had been taking an active interest in the immediate relief measures.

Compensation for Losses.

On the 19th April, the Committee sent a telegram to the Government of India, expressing their grave concern at the havoc caused by the fire calamity, emphasising Government's responsibility for providing immediate relief, for repairing and reconstructing damaged property and for seeing that full and proper compensation was paid to all those parties who had suffered losses, as also for taking measures for providing facilities to trade commerce and industry to resume normal function. They also urged for an immediate impartial and independent inquiry being instituted to examine the causes and circumstances which led to the explosion.

In their telegram dated the 17th May, addressed to His Excellency the Viceroy, the Committee expressed apprehension at the delay in the Government announcement of full compensation to loss of life, property and goods resulting from the recent disaster although five weeks had elapsed. They referred to the statements in the press to the effect that Government contemplated payment of only 70% of losses and that too in connection with those covered by insurance and stated that if such were the case, the commercial community would stand to lose a great deal. The Committee stressed that Government should immediately make an announcement granting full compensation for all losses of life, property and goods inside or outside the docks, whether insured or not.

Subsequent to the announcement by Government of their scheme of compensation, the Committee addressed a further telegram to His Excellency the Viceroy drawing his attention to the various points where the scheme failed to give adequate compensation. Under the scheme, uninsured immoveable property was entitled to only 75% compensation on the basis of 1939 value. The Committee stressed that if cent per cent compensation was not possible, at least 87½% should be granted as in the case of insured property deducting the share of the insurance companies. The value in this connection should also be based on the value assessable on the date of the damage or loss. In case of the limit of compensation in respect of household and personal effects, the Committee suggested that the same should be increased to Rs. 10,000 and that cent per cent compensation should be paid on the first Rs. 5,000. They also were of opinion that such should include jewellery also. The Committee objected to the limit of Rs. 15,000 placed on compensation allowable in cases of uninsured stocks of trade and merchandise. It was pointed out that certain articles were exempted for the purpose of War Risk Insurance. They emphasised that they should not be penalised in view of the exemption exercised with regard to the same and Rs. 15,000 limit should not apply to them. It was suggested that in such cases cent per cent compensation should be paid on the first Rs. 5,000 and 87½% on the balance. Under the scheme articles insured under the War Risk Insurance Scheme but not insured for fire came under the limit of Rs. 15,000. The Committee considered the provision very unfair to trade. The Committee presumed that the loss of bullion articles or jewellery held as stock in trade by merchants would be entitled for compensation. The Committee urged that with regard to settlement of claims, Government should not be overstrict in the enforcement of evidence and that passing of such claims should not be accompanied by undue formality, and delay. The Committee felt that the public were entitled to a clear assurance from Government that they would give compensation in case of future disasters if such should occur.

In their representation made on the 25th instant to the Hon'ble Sir Mahomed Azizul Haque, Commerce Member, Government of India, the Committee referred to the interview they had with him on the 12th September, when they had pointed out to him certain fundamental omissions and defects in the scheme of

compensation as adumbrated in the Ordinance issued by the Government of India on 1st July 1944. The Committee urged upon the Commerce Member the necessity of revising the ordinance in such a manner so as to ensure fair and honourable treatment to all those who had suffered as a result of the explosion whether they had insured their goods and property or had not insured the same. The Committee also brought to the notice of the Hon'ble Member the disclosures and findings in the first report of the enquiry which dealt with the origin, nature and causes and circumstances connected with this catastrophe and the inadequacy of the action taken before and during the disaster. Under the provisions of the Ordinance, people would not get more than Rs. 5,000 for household and personal effects and Rs. 15,000 in case of stocks of trade if they were not insured. In this connection they invited the attention of the Hon'ble Member to a large number of middle-class people who had suffered as a result of the fire and had lost their all. It was desirable, they emphasised, that their claims should be met in full; otherwise the middle-class families and merchants with smaller resources would be seriously affected if the provisions in the Ordinance were not revised as suggested by the Committee. They in conclusion suggested, as a practical way of making the scheme honourable and fair to all. by removing the differentiation between the uninsured and the insured losses and to make the actual loss, on the date of the disaster the main test for compensation, so that, in the result, all those who had lost would be compensated to the extent of their losses.

The Committee in their telegram dated 22nd December, addressed to the Hon. Sir Azizul Huque, Commerce Member of the Government of India referred to the Committee's representation submitted to him on 20th September regarding the direction in which the scheme of compensation in respect of the Bombay Explosion losses required certain modifications, particularly in connection with the differentiation on the basis of compensation as between insured and non-insured property as also the limits prescribed for payment on compensation in respect of personal effects and stocks-in-trade which required a little liberalization. The Committee observed that payment of claims in connection with the losses sustained by the parties should not be unduly delayed and adjustments in changes of minor character if neces-

sary should not come in the way of making immediate payments to the sufferers. The Committee requested the Hon. Member to intercede in the matter with a view to an early announcement being made on the issues referred to above by the Government of India.

Interview with His Excellency the Viceroy.

Mr. Pranlal Devkaran Nanjee, President of the Chamber, waited upon His Excellency the Viceroy on 24th April, and had a detailed discussion on matters arising out of the fire calamity.

In particular he had emphasised that—

(1) Government should immediately institute an impartial and independent Inquiry into the origin and causes of the explosions and fires. (A commission under the Chairmanship of the Chief Justice of Bombay was since then appointed and their reports in two parts published) ;

(2) all steps should be taken to prevent the recurrence of similar accidents ;

(3) Government should, having regard to the origin and circumstances connected with the accident, recognise their responsibility in the matter and agree to compensate all those who had suffered losses, both in regard to person and property ; and

(4) to appoint an independent Tribunal, presided by a Judge of the High Court including non-official representatives to assess losses and pass claims for compensation.

The Committee followed this up with a telegram to His Excellency, on 27th April, reiterating the above suggestions, and urging an announcement of Government's decisions in that regard.

Interview with His Excellency the Governor of Bombay.

The President waited on His Excellency the Governor of Bombay on 2nd May, and discussed the questions arising out of the calamity. In particular, he submitted to His Excellency the imperative necessity for an early announcement by the Government of India that they would fully compensate all those who had suffered by the calamity. He also urged the setting up of a machinery for registering claims in respect of losses, as also the appointment of a Tribunal to assess losses and pass claim for

compensation. He further referred to reports about requisitioning a part or whole of the affected area for military purposes, and submitted that no area in or nearabout the vicinity of the Docks or commercial centres should be allowed to be taken over.

As referred to above, Government announced the appointment of a Commission of Inquiry under the Chairmanship of the Chief Justice of the Bombay High Court. As the personnel of the Commission did not include non-official representatives, the Committee sent a telegram to His Excellency the Viceroy, on 4th May, urging that in view of the unprecedented nature of the disaster which had affected the public of all classes, it was imperative that non-official Indians commanding the confidence of the public should be included in the personnel of the Inquiry Commission. In that telegram, they had also requested an early announcement of Government's decision on the issue of compensation.

Requisitioning of the Affected Area.

The Committee received reports that it was intended to requisition the area affected and lying between Carnac Bunder and Wadi Bunder for military use. Thereupon, they sent a telegram on 26th April to His Excellency the Viceroy, pointing out that as the said area was the centre of important trades, occupied among others by the Grain, Seeds, Rice and Iron trades, if the same was allowed to be taken up for military purposes, serious inconvenience and hardship would be caused to all the trades concerned. They therefore requested His Excellency's intervention, with a view to the proposal being abandoned. The Committee also addressed the Chairman of the Bombay Port Trust on the subject.

In a reply which was received from the War Transport Department, it was mentioned that there was no proposal under consideration that the Military authorities would take over the area in question.

The reply received from the Port Trust, mentioned that the report as alleged by the Committee was unauthorised. At the same time, it was added that the Military authorities had asked for about 30,000 square yards of storage accommodation in the Elphinstone Area or elsewhere and that the said application was under consideration of the Trustees. In a further communication both to the Bombay Port Trust and the Government of India,

the Committee urged that Military authorities should not be allowed to carry on any activity in any of the areas in the vicinity of the Docks or centres of commercial importance, and as such no plot in the Docks or in the vicinity of commercial centres should be leased to the Military authorities.

Correspondence with the Port Trust.

The Committee addressed a communication to the Chairman of the Bombay Port Trust on 19th April, asking for information about the rules and general practice relating to handling of explosives in the Docks and other cognate matters. They also addressed the Port Trust regarding facilities for owners of property within the Dock area to visit the area with a view to find out the exact state of affairs in respect of their property. The necessary permission was afterwards given by the Ag. General Manager, Docks. In another communication dated 29th April, the Committee had asked for information from the Port Trust regarding arrangements made for reconstruction work in the Dock area.

The Bombay Port Trust in their reply dated 24th May, informed the Committee that while they were grieved at the sad loss of life and serious material damage caused by the explosions, they were not legally liable for all that happened as a result of the explosions. They also stated categorically that they were not in a position to offer compensation in the manner suggested by the Committee. They further informed the Committee that the Port Trust was not concerned with the handling of explosives, as Government had superseded the restrictions imposed by them with regard to explosives by their notification issued in November 1939. They, however, assured the Committee that they would, in future, give adequate publicity to such important notifications with the permission of Government. They also assured the Committee that everything possible was being done to prevent recurrence of such disasters. The Committee in their further reply dated 1st June, drew attention to the announcement of Government scheme of compensation in respect of losses and hoped that the Trustees would recognise their responsibility and liability to the third parties in bringing explosives and other inflammable materials on their premises. They felt that it was a serious matter for the public that commercial cargo and explosives were allowed to be discharged in the Docks side by side. If as a result of such an arrangement,

the public lost their cargo as a result of explosions, the Port Trust was liable to make good such damage. The disowning by the Port Trust of any loss that might be suffered by the public as a result of the above arrangement was a serious matter and required earnest consideration by those concerned. They requested the Trustees to let them know whether the Dock Bye-Laws which were abrogated had been restored and whether all steps had been taken to segregate commercial cargo from explosives in the Docks. They also desired to know what precise steps the Trustees had taken to prevent recurrence of fires.

Survey of Loss and Damage.

As several enquiries were received as to what those who had sustained losses should do to establish their claims before the evidence was lost, the Committee issued a Press Note on 29th April advising merchants and the public that they should get their property, goods and stores, whether insured or not, surveyed by a recognised Surveyor and obtain from them a Certificate for the survey. In cases where it might not be possible to hold any survey owing to the complete loss of property or goods, they should make an affidavit to that effect before a competent authority.

In this connection, the Committee took steps to constitute an Advisory Bureau to advise the merchants and public in regard to the manner and method in which they could prepare a record of their losses.

Facilities to Trade.

In their communications to the Government of India and in the interviews which the President had with His Excellency the Viceroy and His Excellency the Governor of Bombay, particular stress was laid upon the necessity and importance of giving all facilities to trade interests affected to resume normal functioning by assisting reconstruction and by the grant of necessary priorities, etc.

Relief and Concession required in matters Relating Income-tax, Super-tax and Excess Profits Tax.

The Committee addressed a detailed communication to the Central Board of Revenue on 9th May, drawing their attention to the disorganisation in trade activities caused by the recent

fire calamity, and the difficulties experienced by merchants and commercial houses, directly or indirectly concerned with business in the affected area. They, therefore, suggested that the Board should assist the people concerned to tide over their difficulties by giving them necessary relief and concessions in matters relating to Income-tax, Super-tax and Excess Profits Tax. The main suggestions were that:—

(1) the hearing of pending cases should be postponed;

(2) the time-limit prescribed under the Act for purposes of appeals, etc. should be extended;

(3) where assessments had been completed, the Department should give all facilities to assessees concerned to pay the the amount of tax in easy and convenient instalments; and

(4) the requirement imposed under the provisions introduced this year for quarterly advance payments of tax should be suspended.

Many of the points raised above were being conceded by the Central Board of Revenue.

Restrictions imposed by Rule 45-B of the Defence of India Rules in connection with the Chamber's Representatives on the Board of the Bombay Port Trust.

The Committee in their telegram dated 10th May 1944, addressed to the War Transport Department, Government of India, referred to the restrictions imposed under Rule 45-B of the Defence of India Rules, whereunder, the representatives of the Chamber sitting on the Board of Port Trustees were prevented from passing on any information regarding Agenda, Minutes of Meetings of the Port Trustees, administrative reports or any other documents relating to the operation of the Trust. The Committee contended that these restrictions were in direct contravention of the duties of the representatives of the Chamber sitting as Port Trustees. Such representatives were sent by the Chamber to represent the case of trade, commerce and industry on the Board and if under the above Rule, they were prevented from taking guidance of the Committee in important matters relating to trade, the purpose of their representation would be frustrated. They pointed out the recent fire calamity which occurred on the 14th April in Bombay

and stated that the disaster brought before the Committee several questions relating to the commercial community which could not be satisfactorily tackled by the Chamber on account of their representatives being debarred from passing on to the Committee much information which was essential for the proper guidance of their representatives, on the Board. They, therefore, urged Government to remove the existing restrictions imposed by Rule 45-B in the interest of trade, commerce and industry, with a view to enable the representatives of the Chamber and other bodies to perform their functions in solving the various difficulties that have arisen out of the recent disaster.

Government in their reply dated 25th May, stated that the Rule in question had been in force for a long time and the restrictions imposed by it were willingly accepted by the commercial community all over India, and added that so far as the Bombay explosions were concerned, they had instituted a Commission to enquire into and report on the causes of the fires and explosions and the adequacy of the action taken before, during and after the disaster, and to publish such parts of their report which, in the opinion of that Commission would not be detrimental to the public interest and to the prosecution of the war.

The Committee, in a further communication to Government, dated 15th June, pointed out that so far as the commercial community was concerned, this Chamber had never been consulted in regard to the Rule 45-B and consequently the Committee of the Chamber had no opportunity to submit their views to Government in regard to the same. They further urged that so far as the proceedings of the Port Trust Board were concerned, communications and circulation of all matters which were not in the nature of military or war secrets impinging upon the security of the country should not be prohibited, the Chairman of the Port Trust having the necessary discretion to declare as to which items were to be deemed as confidential for reasons of war.

The Government of India in their letter dated the 19th September 1944, informed the Committee that it was not always possible to consult the Commercial Community before any rule or ordinance affecting trade, industry and commerce was made, particularly if any security aspect was concerned. As regards the findings of the Commission they invited the attention of the

Committee to the first part of the report which was published by Government and assured that the second part would be published shortly. The Government of India did not think that any useful purpose would be served by asking the commercial community to place their views before the Technical Committee of experts set up to examine the inadequacy of the existing regulations for handling dangerous cargo. They in conclusion assured the Committee that the Chairman of the Port Trust would be authorised to place before the Trustees such matters or documents for their consideration if he was satisfied that no security objections existed. The Committee in their reply dated the 30th September 1944, suggested the authorities that whenever any rule or ordinance which they proposed to make and which was likely to affect trade, commerce and industry of the country, they should give the commercial community and the Chambers of Commerce and Industry concerned an opportunity to express their views. The Committee disagreed with the contention of the authorities as regards the policy followed by the Government of India in connection with the existing regulations in regard to the Technical Committee of experts referred to above. They pointed out in this connection that the commercial community would be seriously affected by such steps especially at places which were nearer to the centres of business activities. The Committee requested the authorities to reassure them that at least so far as the future was concerned, steps would be taken by them to provide all the necessary safety measures in order to eliminate chances of recurrence of such a calamity. As regards the discretionary power of the Chairman of the Port Trust, the Committee suggested that it should be competent to the Trustees to take a decision in regard to publication or consultation of any matter which might come before them and in case the Chairman did not agree with the decision, the matter should be placed before the Government for their final orders. They further observed that unless the view-points of the commercial community in regard to particular measures coming before the Trustees were not carefully considered, the Chairman in his discretionary power should not be allowed to decide for himself as to whether publication of certain matters should or should not be made by the Trustees of the Board. They requested the authorities to modify the orders in the light of facts stated above.

Loss Certificates in Respect of Goods Lost at the Docks at the Time of the Explosion.

In their communication dated 25th May addressed to the Bombay Port Trust, the Committee drew attention to the question of granting loss certificates to merchants for goods lost in the fire calamity in the dock area. They referred to the case of a member-firm which had been refused their loss certificate on the plea of loss of department records by fire. The Committee maintained that in this particular case, a certificate was required for the purpose of enabling the party to approach the Textile Controller for priority assistance for securing replacement supplies. It was urged that the Port Trust should consider such cases sympathetically and should approach the Customs Authorities for information about the consignments in question. They might also approach the Shipping Companies to enable them to establish the claim regarding the exact location at the time of the accident. The Committee requested the Bombay Port Trust to assist the merchants in their present emergency by granting loss certificates after having verified as suggested above.

The Port Trust authorities in their letter dated the 1st July 1944, regretted their inability to help the merchants in the way suggested by the Committee and added that the Trustees were legally advised that it was not possible for the Docks Manager to furnish certificates of loss. They, however, drew the attention of the Committee to the following facts :—

"The receipts issued by the Docks Authorities (i.e. copies of the Tally sheets) are presumably with the Steamer Agents. If the consignee has not taken delivery order from the agents and has not prepared the Customs Bill of Entry and paid duty, the presumption would be that the cargo has been lost."

Facilities for Reconstruction of Buildings, Godowns, etc., on Port Trust Estate Area.

At the instance of the Grain and Rice Merchants' Association the Committee addressed on 29th May, the Bombay Port Trust, drawing attention to the question of granting facilities for reconstruction of buildings, godowns, etc. on the Bombay Port Trust Estate Area, which had been devastated by the fire calamity. They urged the following points for the serious consideration of the

Trustees in connection with the reconstruction of buildings, godowns, etc. which would help to rehabilitate the trade which had suffered heavily.

1. Only token rent from the lessees during the period of construction should be charged.

2. The above concession should be extended also to those who had rented godowns belonging to the Port Trust.

3. The Ryan Market should be repaired and reconstructed without delay.

4. If the old tenants were unable to continue their tenancy, their space should be given only through the trade associations concerned.

5. The Port Trust should use their good offices with the authorities concerned for securing the necessary priorities for building materials.

6. A machinery for speedy disposal of matters relating to reconstruction should be set up by the Port Trust.

7. The Port Working Committee should meet representatives of the Chamber and different trade associations to discuss this matter and evolve an agreed plan of action.

8. The Military should not be allowed to acquire any area in the vicinity of centres of trade and business activities.

9. The existing arrangements for reserving particular areas for particular trades should be continued.

The Port Trust authorities in their letter dated the 12th June clarified the position as under:—

(1) *Remissions in ground rents in respect of leaseholds and tenancies affected by the fires.*—Ground rents could be remitted for the period, 15th April 1944 to 30th September 1944 (or the date of occupation of the plot for any purpose whatsoever, whichever was earlier). Thereafter ground rent would, as a general policy, be charged at the open storage rate of As. 4 per square yard per month, irrespective of whether the plot was situated on the west of Frere Road or on Manson Road or was a rice godown plot, except that, where the present rate was less than As. 4 per square yard per month. The existing lease or tenancy rates would apply, subject to such "free building time" as was usual

in Port Trust leases and as the Trustees might think it fit to grant in each case.

(2) *Rents in respect of Port Trust Structures destroyed in the fires.*—The rent bills in respect of such structures would cease with effect from 15th April 1944.

(3) *Rebate for prompt payment of rent bills.*—The usual rebate in rent would be granted provided the rent bills for the months of March and April 1944 were paid on or before 31st July 1944 and provided that no accruing rent was in arrears for period prior to March 1944.

Statement of the War Transport Member regarding Assistance given by Government in rebuilding Damaged Properties.

The Committee referred to the statement made by the War Transport Member on the floor of the Central Legislative Assembly regarding assistance given to property owners in the rebuilding of the damaged area on account of the explosions in Bombay. They pointed out in this connection that the statement as reported in the press made by the War Transport Member did not convey the true situation as regards the assistance given by the authorities in rebuilding the damaged properties, and held the view that discrimination seemed to have been made in the case of a few who happened to be both property owners and businessmen in the locality. There were, however, many property owners whose properties had been damaged or destroyed and to whom reconstruction facilities were not extended. The Committee, therefore, requested that proper enquiries be made and that necessary help should be freely given without any discrimination to all those who had suffered from the explosion.

Extension of Time Limit to submit Claims arising out of the Bombay Explosion.

At the instance of a Member Firm, the Committee sent a telegram to the Government of India requesting them for an extension of time for the purpose of submitting claims in connection with the explosion losses. Government in their telegram informed the Committee that the time limit would be extended till the end of November 1944 and in certain cases even after that date.

Issue of Duplicate Government Promissory Notes in place of those Lost or Damaged by Explosion.

At the instance of a Member the Committee addressed a communication on 2nd November 1944, to the Governor, Reserve Bank of India, Bombay, in regard to the issue of fresh Government Promissory Notes of the face value of Rs. 25,000 in lieu of those lost and damaged by the explosion of 14th April 1944 which took place in Bombay. The Committee in this connection requested the authorities that the destruction of these Promissory Notes might well be treated as an act of God, and the parties who had suffered from such losses might be given all facilities just as Government had done with regard to both insured and uninsured property and goods. The Committee held the view that it might serve the ends of justice and equity if interest on such notes were paid after six months and duplicate notes were issued after not more than one year.

The Secretary, Reserve Bank of India, in his letter dated the 2nd November informed the Committee that where the G.P. Notes had been lost or damaged in the Bombay explosion, the Bank was prepared to consider such cases sympathetically, provided it was satisfied about the loss or destruction of the notes and added that the member in question might submit an application of his claim to the Bank through the Public Debt Office for the attention of the Bank.

Draft Bill to amend the Bombay Legislature Member (Removal of Disqualifications) Act, 1937.

Under the above Bill it was proposed to remove the disqualification attached to the members of both the Chambers of the Bombay Legislature for holding or accepting office under the Crown. The Committee in their letter dated 16th February informed the Government of Bombay that though they had no objection to the members accepting offices during war, they were opposed to the principle as such of the members holding such offices and hoped that such exemption under the Act would be taken advantage of only in exceptional cases.

Petition by the Attorneys for an increase of 33-1/3% in the Scale of Legal Charges.

At the instance of the Bombay Incorporated Law Society, the Committee addressed a letter to the Prothonotary and Senior Master, H. M.'s High Court, supporting the contention of the Society for an increase of 33-1/3% by way of surcharge over the profit costs by the attorneys of the High Court in view of the fact that the cost of living in the city and other incidental establishment charges have increased by 300 to 400 per cent. In this connection they pointed out that the cost of living in U.K. had increased by about 25 per cent and the authorities in U.K. had allowed an increase of 12½ per cent in the scale of fees as compared to the pre-war level. They, therefore, recommended that the increase, as suggested by the Law Society, might be permitted; they however suggested that the High Court authorities should take steps to see that the present scale of dearness allowance paid by the attorneys to their staff would be liberalised having regard to the present economic stringency.

Women Jurors and Proposal to Extend the Privilege to Foreigners.

As published in the Summary Report of the Committee for the year 1943 the Committee had addressed the Prothonotary of the Bombay High Court urging that the privilege granted to women subjects of U.S.A. as jurors in India was cosidered unjustified in view of the fact that reciprocal privileges to Indians were not accorded in U.S.A. The Prothonotary in his reply dated 14th January informed the Committee that Americans placed on the Jury List were only called upon to serve if the accused was a subject of the U.S.A. This was in accordance with the right given to European or American accused to be tried by jury consisting of a majority of Europeans or Americans. Regarding the larger question of reciprocal rights desired by Indians in America it was stated that the matter could be dealt with by legislative action and hence the Government of India might be moved regarding the question.

Services of the Officers of the Government of India in Foreign Countries.

As published in the Summary Report of the Committee for the year 1943 the Committee enquired of the Government of India regarding the conditions under which the services of Government officers had been lent to foreign countries. Government in their reply dated 24th January informed the Committee that the Government of India were not responsible for the Provident Fund of such officers during the period of their services outside the country. Travelling allowance and joining time pay were also required to be paid by the foreign employers. Foreign employers were responsible for payment of compensation with regard to injuries sustained by such officers during foreign service.

Shortage of Building Accommodation in Bombay.

As recorded in the Annual Report of the Chamber for the year 1943 the Committee had requested the Government of Bombay to relax the restrictions on new building construction in Bombay. Government in their letter dated 25th January regretted that they were unable to relax the restriction as the supplies of building materials were barely sufficient to meet the military and other essential civil requirements. They, however, stated that they had already permitted repairs to be carried out to old buildings provided such work was done by the use of old materials or materials not under control.

Payment of Bills—Cheques to be sent by Post.

The Committee had addressed a letter on the 7th August 1944 to the Municipal Commissioner, Bombay, on the question of the general procedure laid down by the Municipality in regard to the payment of bills by cheques. The Municipal Commissioner in his letter dated the 31st August 1944 stated that he was agreeable to extend the concession allowed to the Bombay Chamber of Commerce to the Members of this Chamber on the same conditions. The conditions were as follows :—

(1) Bills should prominently bear at the top an endorsement "crossed and order cheque should be sent by post".

(2) Payment over Rs. 100 should be made by crossed and order cheques to be sent by ordinary post with an intimation card giving particulars of payment.

(3) The members of the Chamber should send receipts for payments by return of post. Failure to send receipts in time will involve forfeiture of the facility under (2) above.

(4) Payments upto Rs. 100 should be received in cash at the counter of the Chief Accountant's Office as hitherto on receipt of an intimation card.

The Committee in their reply dated the 1st September 1944, agreed to the arrangements proposed by the Commissioner in his letter under reference, anh requested that the arrangements should be brought into force as soon as possible.

Restrictions re. Entry of Indians into East Africa.

The Committee in their telegram dated 22nd March addressed to the Hon'ble Member for Indians Overseas protested against the regulations issued by the East African Government prohibiting entry of Indians into East Africa. It was stated that prohibition of such entry into East Africa justified on the plea of difficulty regarding housing and food supplies was not fair, as such difficulties did not exist in East Africa. It was hoped that the Hon'ble Member would take early steps to protect the interests of Indians in East Africa.

Tour of the U.K. Advisory Mission of Machine Tool Utilization Experts to Bombay.

The Committee had received a letter from the Government of India, Department of Supply (Bombay), regarding the visit of the above Mission requesting them to send some representatives of the Chamber to meet the Mission. The Committee, in this connection, nominated the following representatives :—

Mr. A. A. Jasdenwalla.

Mr. D. S. Mulla, representative of the Tata Sons and associated concerns and Mr. S. C. Driver, Technical Adviser.

Mr. S. J. Pandya, representative of Scindia Steam Navigation Co. and associated concerns.

Mr. V. M. Meswani, representative of the Premier Construction Co., Ltd., and associated concerns.

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Resolutions for the 17th Annual Session of the Federation of Indian Chambers of Commerce and Industry.

The Committee in their letter addressed to the Federation of Indian Chambers of Commerce and Industry sent a draft of the resolutions on the undernoted subjects for being included in the agenda for the 17th Annual Session of the Federation :

1. Political situation.
2. Financial position.
3. South East Asia Command Operations.
4. Civil Aviation.
5. Control Orders.
6. Slaughter of Prime Cattle.
7. Restriction on foreign capital.
8. Income-tax on Insurance Business.

Representatives of the Federation of Indian Chambers of Commerce and Industry to the International Business Conference at the Atlantic City.

The Federation of Indian Chambers of Commerce and Industry in their letter dated 22nd September 1944, invited the Committee to nominate a few representatives to attend the Conference to be held at the Atlantic City some time in November. The Committee accordingly nominated the following members :—

Sir Chunilal B. Mehta.
Mr. Sankalchand G. Shah.
„ G. L. Mehta.
Mr. Chottabhai S. Patel.
„ Ratilal M. Nanavati.

The Federation afterwards informed the Committee that the following members were selected by the Committee of the Federation :—

1. Sir Chunilal B. Mehta (Leader of the Delegation).
2. Mr. G. L. Mehta, Deputy Leader, Calcutta.
3. Mr. Abdul Rahim Siddiqui, Calcutta (Delegate).
4. Mr. Satya Paul Virmani, Amritsar (Delegate).
5. Dr. P. S. Lokanathan, New Delhi (Adviser).
6. Mr. M. A. Fazalbhoy (Adviser).

7. Mr. David S. Erulkar, London (Delegate).
8. Mr. J. C. Mahendra (Delegate).
9. Mr. Jariwala (Delegate).
10. Mr. V. M. Bhatt (Adviser and Secretary).

Viramgam Customs Cordon.

In their communication dated 1st December 1944 addressed to the Finance Department of the Government of India, the Committee referred to the hardships, difficulties and privations which the passenger public coming from and proceeding to Kathiawar had to undergo at the Viramgam station as a result of the administration of the Customs Cordon there. The Committee suggested in this connection that the authorities should make arrangements both with the railway authorities and the customs authorities to prevent any such hardships and urged that the railways should afford maximum of facilities to passengers during their detention in railway compartments or small railway enclosures and even on platforms which were open to sun and rain. In conclusion, the Committee expressed the view that in view of the strong feelings of the public in regard to the conditions prevailing at Viramgam, Government would be pleased to take immediate steps to alleviate the sufferings of the travelling public.

I.M.M.T.S. "Dufferin".

Mr. M. A. Master was elected as the representative of the Chamber on the Governing Body of the I.M.M.T.S. "Dufferin".

Paper Control and Distribution.

The Provincial Paper Controller, Bombay, in his letter dated the 19th October 1944, invited the Committee to nominate their representative to work on the Advisory Panel (Bombay) re: Paper Control and Distribution. The Committee nominated Mr. Manu Subedar to work on the Panel.

Election of a Representative of the Chamber on the Local Advisory Committee of the G.I.P. Railway.

Mr. Madhavlal M. Bhatt was elected to represent the Chamber on the Local Advisory Committee of the G.I.P. Railway.

Election of the Representatives of the Federation of Indian Chambers of Commerce and Industry on the Export Advisory Council.

The Committee voted in favour of Sir Chunilal B. Mehta and Mr. Sankalchand G. Shah for election as representatives of the Federation on the Export Advisory Council. Subsequently both the above gentlemen were elected to represent the Federation on the Council.

Representative of the Chamber on the Indian Coconut Committee.

The Government of Bombay by their letter dated 25th May invited the Committee to nominate a representative of the Chamber on the Indian Coconut Committee constituted under the Indian Coconut Act, 1944. The Committee was constituted to provide for the creation of a fund for the improvement and development of the cultivation, marketing and utilisation of coconut in India. The Committee nominated Mr. K. M. Antia, General Manager of the Tata Oil Mills Co., Ltd., as their representative on the said Committee.

Representative of the Chamber on the Trade Panel re : Administration of the Hoarding and Profiteering Prevention Ordinance, 1943.

The Committee in their communication dated 19th January addressed to the Director of Civil Supplies, Bombay, forwarded the name of Mr. Haridas Madhavdas as their representative on the proposed Trade Panel re : Administration of the Hoarding and Profiteering Prevention Ordinance, 1943.

Groundnut Trade Conference

In their communication dated the 19th June 1944, the Agricultural Marketing Adviser invited the Committee of the Chamber to send their representative to attend the Conference which was to be held in August. The Committee through their letter dated 5th July nominated Mr. Ratilal M. Gandhi to attend the same.

Election of a Representative of the Federation on the Indian Accountancy Board.

The Committee nominated Mr. Gopaldas Padamsey Kapadia to represent the Federation of Indian Chambers of Commerce and

Industry on the Indian Accountancy Board. Mr. Kapadia was subsequently elected.

Death of Smt. Kasturba.

The Committee sent a message of condolence to Mahatma Gandhi on the sad demise of Smt. Kasturba and passed a resolution expressing sorrow at the sad event.

Death of Sir P. C. Ray.

The Committee passed a condolence resolution on the death of Sir. P. C. Ray, extolling his services in the field of industries and chemical researches. They also conveyed their condolences to the Vice-Chancellor of the Calcutta University.

Membership of the Chamber.

At the beginning of the year, there were on the Register 1,082 members. During the year 202 (including four Patron-Members) were elected, and 28 discontinued their membership (16 having resigned, 9 having died, and 3 having been struck off from the rolls). There are thus 1,256 members now on the Roll.

It may be mentioned that there are at present 72 Association-Members.

During the year, Messrs. The Malabar Steamship Co., Ltd., Madhavlal & Co., Ltd., Sankalchand G. Shah & Co., and Amersey Damoder, Bombay, joined the Chamber as Patron-Members.

Library of the Chamber.

During the course of the year nearly 150 books were added to the Library of the Chamber—names of which were published in the monthly issues of the *Journal*—apart from the reports received from the Central and Provincial Governments and other minor pamphlets received from various institutions. Nearly 200 members of the Chamber and their friends took advantage of the books available in the Library. Nearly 300 inquiries were answered in connection with reference books and such other minor information through the Chamber's Library. It is, however, hoped that more members would frequently take advantage of the various books and journals received in the Chamber and profit from the literature available therefrom.

Commercial Examinations.

The Commercial Examinations conducted by the Chamber in various centres in India were held from 3rd May 1944 to 6th May 1944. The total number of candidates appeared at these examinations was 786. Out of these 103 passed in Diploma Subjects and 248 passed in Certificate Subjects. 69 candidates were accorded exemptions in various subjects. 55 recognized institutions sent candidates for the examinations as against 55 of last year. The examinations were held in the following centres :—.

Bombay	Mysore	Mangalore
Poona	Bangalore	Nagpur
Ahmedabad	Trichinopoly	Junagadh
Surat	Palghat	Delhi
Beawar	Dewas (J. B.)	Lahore
Calcutta	Madras	Lashkar
	Jafarabad	

Accounts.

The Statement of Accounts of the Chamber for the year ended 31st December 1944, with the Auditors' Report is annexed hereto. It will be observed that a sum of Rs. 4,220 has been received as contribution from the Representatives of the Chamber on various Public Bodies. The best thanks of the Committee are due to the gentlemen who have made these contributions.

THE INDIAN MERCHANTS' CHAMBER

Balance Sheet as at 31st December, 1944.

LIABILITIES	Rs.	a.	p.	PROPERTY & ASSETS	Rs.	a.	p.
CAPITAL FUND AND OTHERS:				**FURNITURE & FITTINGS AT COST:**			
CAPITAL FUND:				Upto 31-12-1943 ...	20,201	5	6
Admission fee of ordinary members upto 31-12-43 ...	80,000	0	0	Additions during the year ...	168	5	0
Admission fee of ordinary members received during the year ...	10,000	0	0		20,369	10	6
	90,000	0	0	*Less* Depreciation upto 31-12-43 ... Rs. 5,245			
Patron fees upto 31-12-43 ... Rs. 15,000				During the year ... 1,515	6,760	0	0
Patron fees received during the year ... 20,000	35,000	0	0				13,609 10 6
	1,25,000	0	0	**MEASUREMENT DEPARTMENT:**			
Contribution from Messrs. Narrondass Manordass	20,000	0	0	Furniture and Fittings at Cost upto 31-12-43 ...	725	12	0
FUNDS EARMARKED FOR LIBRARY:				Additions during the year ...	4,656	0	0
Sir Ibrahim Rahimtoola Entertainment Fund	1,300	0	0		5,381	12	0
Sir Purshotamdas Thakurdas Entertainment Fund ...	439	5	0	*Less* Depreciation upto 31-12-43 ... Rs. 86			
B. F. Madon Portrait Fund ...	534	8	0	During the year ... 51	137	0	0
Donation by Currency League of India	624	6	6				5,244 12 0
	2,898	3	6	**BOOKS FOR LIBRARY:**			
L. R. TAIRSEE MEMORIAL FUND:				upto 31-12-43 ...	25,727	13	2
Donation	3,000	0	0	Additions during the year ...	1,125	15	0
Interest upto 31-12-43 Rs. 56 9 11					26,853	12	2
Interest during the year 81 11 0				*Less* Depreciation upto 31-12-1943 ... Rs. 6,853			
	138 4 11			During the year ... 1,925	8,778	0	0
Less: Cost of prize awarded ... 122 11 0	15	9	11				18,075 12 2
	3,015	9	11	Subscriptions due from members			3,750 0 0
DENA BANK PRIZE FUND:				**ADVANCES:**			
Donation	1,800	0	0	Deposit with Central Publication Branch, Delhi ...	41	15	9
Interest upto 31-12-43 Rs. 23 6 0				Loan to Staff ...	3,204	0	0
Interest upto 31-12-44 45 8 0							3,245 15 9
	68	14	0	***INVESTMENTS:*** *(Government Securities, etc. at Cost)*			
	1,868	14	0	**CAPITAL FUND:** Rs. a. p.			
Commercial Museum Fund	50	0	0	5% Loan (1945-55) of Rs. 5,000 — 5,425 0 0			
Subscriptions received in advance from members	1,225	0	0	5% Municipal Loan (1959) of Rs. 10,000 — 8,862 8 0			
Suspense (arbitration)	100	0	0	3½% Loan (1947-50) of Rs. 29,000 — 30,848 12 0			
J. C. Setalvad Portrait Fund	1,601	0	0	3% Loan (1951-54) of Rs. 10,000 — 9,996 14 0			
Staff Provident Fund	5,377	9	0	3½% Loan (1854-55) of Rs. 20,000 — 19,837 8 0			
Staff Income-Tax	334	2	0	3½% Loan (1842-43) of Rs. 10,000 — 9,656 4 0			
Sundry Creditors for expenses	227	0	0	Loan to L. N. Memorial Trustees (Part of Rs. 45,000) — 14,000 0 0			
INCOME AND EXPENDITURE ACCOUNT:				In Current Account with Central Bank of India Ltd. (Part of Rs. 44,402-6-7) — 26,373 2 0	1,25,000	0	0
Balance as at 31st December 1943	1,85,635	6	5	**GENERAL:**			
Add: Excess of Income over Expenditure (as per annexed Account Subject to Taxation for 1942 and 1944.)	16,329	15	2	4% Port Trust Bonds (1969) of Rs. 2,000 — 2,025 0 0			
	2,01,965	5	7	2¾% Loan (1948-52) of Rs. 20,000 — 20,025 0 0			
				3½% Loan (1947-50) of Rs. 9,000 — 9,573 12 0			
				5% Loan (1945-55) of Rs. 20,000 — 21,950 0 0			
				3% Loan (1951-54) of Rs. 15,000 — 14,995 5 0			
				3½% Loan (1842-43) of Rs. 10,000 — 9,656 4 0			
				3½% Loan (1854-55) of Rs. 20,000 — 19,837 8 0			
				3½% B. P. C. L. M. Bk. Deb. (1957-62) of Rs. 30,000 — 30,825 0 0			
				Loan to L. N. Memorial Trustees (Balance) — 31,000 0 0	1,59,887	13	0
				COMMERCIAL EXAMINATIONS PRIZE FUND:			
				4% Loan (1960-70) of Rs. 2,800— L. R. T. Memorial Fund — 2,996 0 0			
				3½% Loan (1865) of Rs. 1,800 — Dena Bank — 1,800 0 0	4,796	0	0
				CASH AND OTHER BALANCES:			
				In Current Account with Central Bank of India Ltd. — 18,029 4 7			
				In Current Account with Bank of India, Ltd. — 11,301 7 11			
				Cash on hand — 722 0 1	30,052	12	7
							3,19,736 9 7
Total Rs.	3,63,662	12	0	Total Rs.			3,63,662 12 0

ROYAL ASIATIC SOCIETY OF THE BOMBAY BRANCH LIBRARY

Bombay, 5th January 1945.

DEVIDAS VITHALDAS & Co.,
Registered Accountants & Auditors.

THE INDIAN MERCHANTS' CHAMBER

Dr. *Income and Expenditure Account for the year ended 31st December, 1944.* *Cr.*

EXPENDITURE	Rs.	a.	p.	INCOME	Rs.	a.	p.
To:—				By:—			
Office Establishment	55,419	6	3	Membership Subscriptions ...	95,025	0	0
Insurance, Heating & Lighting Charges ...	407	12	0	*Less* Bad Debts ...	325	0	0
Telephone Charges	1,002	9	0		94,700	0	0
Postage and Telegrams	5,276	11	9	*Add* Received from 2 members resigned Rs. 150			
Printing Reports, etc.	9,768	12	0	2 members dead 150			
Do. Journal	7,083	0	0		300	0	0
Stationery	2,236	4	0				
Subscriptions to Newspapers and Periodicals ...	1,335	11	6				
Miscellaneous Expenses	754	0	6				
Upkeep of Library, including Binding Charges ...	103	4	0				
Conveyance Charges	534	9	0				
Commission on Advertisements	390	0	0				
Auditors' Honorarium	200	0	0				
Travelling Expenses	615	4	0				
Repairs to Furniture, etc.	388	9	0				
Chairs, etc. Hire	199	12	0				
Membership Subscription to the Federation of Indian Chambers of Commerce and Industry...	200		0				
Do. to the Indian National Committee of the International Chamber of Commerce	33	0	0				
Contribution to the Federation of Indian Chambers of Commerce and Industry ...	2,501	0	0				
Bank Commission	27	2	6				
Safe Custody Charges	114	0	0				
Advertisement Charges	133	0	0				
Contribution to Staff Provident Fund ...	2,651	4	0				
Interest of Provident Fund Subscription and Contribution	69	1	0				
COMMERCIAL EXAMINATIONS: Rs. a. p.							
Remuneration to Examiners, Centre Expenses, etc. ... 2,930 2 6							
Printing & Stationery ... 1,528 12 0							
Postage 248 12 3							
	4,707	10	9				
FIRE CALAMITY ADVISORY BUREAU:							
Salaries and Wages 540 7 0							
Printing and Stationery ... 76 15 0							
Advertisement Charges ... 192 8 0							
Conveyance Charges ... 92 8 0							
General Charges ... 21 0 0							
	923	6	0				
MEASUREMENT DEPARTMENT:							
Salaries and Wages ... 17,706 12 0							
Rent of Dock Chowki ... 60 0 0							
Rebate of Fees 1,490 3 0							
Printing and Stationery ... 445 2 0							
Postage 18 8 9							
Conveyance Charges ... 209 11 0							
Petty Charges 1,221 7 6							
Fire Insurance 31 10 0							
	21,183	6	3				
DEPRECIATION:							
Furniture and Fittings ... 1,515 0 0							
Library Books ... 1,925 0 0							
Furniture & Fittings (Measurement Dept.) ... 51 0 0							
	3,491	0	0				
Income-tax and Super-tax (Advance Payment 1944-45)	7,240	4	0				
	1,28,989	11	6				
Balance being excess of Income over Expenditure transferred to Balance Sheet (Subject to Taxation)	16,329	15	2				
Total Rs.	1,45,319	10	8	Total Rs.	1,45,319	10	8

Contributions from Chamber's Representatives on various Public Bodies ...			4,219 15 0
COMMERCIAL EXAMINATIONS:	Rs.	a.	p.
Fees for Examination ...	8,076	0	0
Fees for recognition of Commercial Institutions ...	545	0	0
Sale of Syllabus and Question Papers ...	137	4	3
Advertisement in Syllabus ...	50	0	0
			8,808 4 3
Interest on Investments and Current Accounts ...			6,801 15 5
Fees for issuing Certificates of Origin, etc. ...			3,943 0 0
Advertisements in Journal			4,046 8 0
Subscriptions to Journal			332 6 0
Sale of Members' List, etc.			224 0 0
Sundry Receipts			40 10 0
Measurement Fees			21,903 0 0

We have audited the foregoing Balance Sheet of the Indian Merchants' Chamber as at 31st December 1944, and also the foregoing Income and Expenditure Account for the year ended upon that date, and report that—

(*a*) we have obtained all the information and explanations we have required;

(*b*) in our opinion, the foregoing Balance Sheet and Income and Expenditure Account are drawn up in conformity with the books;

(*c*) we have verified the Investments; and

(*d*) such Balance Sheet exhibits a true and correct view of the state of the Chambers' affairs according to the best of our information and explanations given to us and as shown by the books of the Chamber.

DEVIDAS VITHALDAS & CO.,
Registered Accountants & Auditors.

PRANLAL DEVKARAN NANJEE
President.

J. K. MEHTA,
Secretary.

Bombay, 5th January 1945.

LALJI NARANJI MEMORIAL INDIAN MERCHANTS' CHAMBER BUILDING TRUST

Balance Sheet as at 31st December, 1944.

FUNDS & LIABILITIES.				Rs.	a.	p.	PROPERTY & ASSETS.				Rs.	a.	p.
Contribution from Donors:—							Building at cost:						
As per Last Balance Sheet			...	1,81,039	12	0	As per Last Balance Sheet			...	2,35,473	7	11
Loan secured by Hypothecation of Documents (The Indian Merchants' Chamber)			...	45,000	0	0	Rents Outstanding:						
Interest accrued on above			...	900	0	0	Considered Good	...	...	...	630	0	0
Liabilities:	Rs.	a.	p.				Loan to Employee	...	...	...	25	0	0
For Building Construction	3,000	0	0				Prepaid Expenses	...	...	...	1,548	9	6
For Expenses	2,150	8	0				Cash Balances:	Rs.	a.	p.			
For Rent Deposits	765	0	0				Cash at Bank Current A/c.	13,089	0	8			
				5,915	8	0	Cash on Hand	366	0	9			
Revenue Account:													
As per last Balance Sheet	13,832	4	7										
Surplus during the year. (Subject to Depreciation and Taxation for 1942-43-44)	4,444	10	3								13,455	1	5
				18,276	14	10							
	TOTAL Rs.			2,51,132	2	10		TOTAL Rs.			2,51,132	2	10

LALJI NARANJI MEMORIAL INDIAN MERCHANTS' CHAMBER BUILDING TRUST

DR. *Revenue Account for the year ended 31st December, 1944.* CR.

EXPENDITURE.	Rs.	a.	p.	INCOME.	Rs.	a.	p.
To Ground Rent	7,942	0	0	By Rent	23,640	0	0
„ Municipal Taxes	6,234	12	0	„ Interest of current account	25	15	0
„ Gas & Electric Charges	861	4	0				
„ Fire Insurance	189	11	0				
„ Salaries and Wages	1,784	10	0				
„ Maintenance and Repairs	872	8	0				
„ General Charges	349	10	9				
„ Postage and Stamps	7	1	0				
„ Interest	900	0	0				
„ Printing	20	0	0				
„ Income-tax	59	12	0				
	19,221	4	9				
„ Surplus during the year (Subject to Depreciation & Taxation)	4,444	10	3				
TOTAL RS.	23,665	15	0	TOTAL RS.	23,665	15	0

We have audited the foregoing Balance Sheet of the Lalji Naranji Memorial Indian Merchants' Chamber Building Trust as at 31st December 1944 and also the foregoing Income and Expenditure Account for the year ended upon that date, and report that—

(*a*) we have obtained all the information and explanations we have required;
(*b*) in our opinion, the foregoing Balance Sheet and Income and Expenditure Account are drawn up in conformity with the books;
(*c*) we have verified the investments; and
(*d*) such Balance Sheet exhibits a true and correct view of the state of the Trust's affairs according to the best of our information and the explanations given to us and as shown by the books of the Trust.

Bombay, 12th January, 1945

Devidas Vithaldas & Co.
Registered Accountants,
Hony. Auditors.

J. K. Mehta
Hony. Secretary.

(1) Chaturbhuj Gordhandas Soonderdas
(2) Mathuradas Vissanji
(3) J. C. Setalvad
(4) Gordhandas G. Morarji
(5) M. C. Ghia.
} *Trustees.*

APPENDICES

I.—TRANSPORT AND COMMUNICATIONS

APPENDIX 1

International Civil Aviation Conference

Letter No. 970 dated 18th May 1944 from Chamber to Department of Post and Air, Government of India.

I am directed by my Committee to draw your attention to the recent announcement made by Lord Beaverbrook in the course of a debate in the House of Lords on the 10th instant that India will be invited to the International Civil Aviation Conference, which is going to be held during the current year. As observed by my Committee in the previous communications in connection with the holding of the Empire Air Conference, they consider it essential that non-officials enjoying the confidence of the country should be associated with the Delegation which the Government of India would send to the International Civil Aviation Conference mentioned above. My Committee are aware of the answer given by Sir Gurunath Bewoor in the Legislative Assembly on the 8th November 1943, that as the Empire Air Conference consisted of official representatives only, the question of representation of the Indian commercial and industrial interests did not arise. My Committee, however, consider it imperative that there should be the association of non-official Indians in the Indian delegation that may be sent for reasons which they have already set forth in their letter of the 2nd November last. Moreover, my Committee would invite your special attention to the more practical view taken by the Finance Member during the course of the General Policy Committee meeting which was held in Bombay, a couple of weeks ago. My Committee understand that the Finance Member announced during the course of the proceedings of that meeting that non-officials would be associated with the Delegation which was to proceed shortly to Washington for the International Monetary Conference. My Committee would, therefore, most earnestly urge upon the Department of Posts & Air not to take shelter under constitutional technicalities for not agreeing to secure the co-operation of non-officials enjoying the confidence of the country in this Delegation. They hope and trust that the Government will recognise

the peculiar circumstance of India and show the same gesture of co-operation as has been shown by the Finance Department and will be pleased to invite and appoint non-officials to represent them at the coming International Civil Aviation Conference. In view of the vital nature of the problems that will be considered at that Conference, and the manner in which it is likely to affect the interests of this country, my Committee feel sure that the Government would recognise the needs of the times and adopt such a policy of representation at such International Conferences as would enable the National Voice of India to be heard in an effective manner at such International gatherings.

As pointed out by my Committee in their letter of the 2nd November, the conclusion reached at the Empire Air Conference were unanimous and as Lord Beaverbrook remarked in the House of Lords, they would go forward with the talks with America on the subject. A recent cable from London states that Lord Beaverbrook had several conversations with the representatives of the American Government and added that the steps which were taken were in complete accord with all Dominions. It is, however, the painful duty of my Committee to state that not only did the Government of India refuse to disclose the nature of these unanimous decisions to the Members of the Central Legislature and pleaded, as usual, that they were confidential, informal and exploratory but that Government did not also take into their confidence the Reconstruction Policy Committee of Posts & Aviation, which consisted of all members nominated by the Government, and which considered a Civil Aviation plan for India last month at Delhi. My Committee are constrained to add that no national Government responsible to the people would have ever adopted the policy of observing complete silence on matters which were of such vital importance to the national economy of the country. My Committee would, therefore, most earnestly urge upon the Government to take the people into their confidence and let them know the nature of these unanimous decisions which were adopted at the Empire Air Conference and any further views and policies which they might have formed and enunciated in common with the other parts of the British Commonwealth, so that India might know what part she is going to play at the International Civil Aviaton Conference and Indian opinion may have an opportunity to express itself in connection with these fundamental matters before the Indian Delegation proceeds

to London for joining in the deliberations of the proposed International Conference.

My Committee earnestly request that the Government would recognise their responsibility in this matter and take national opinion with them in all matters which vitally affect India's national interests and India's future plan and policy, in the evolution of plans both for national and international aviation.

Letter No. 27-V(18)|44 dated 7th June 1944 from Government of India, Posts and Air to Chamber.

With reference to your letter No. 970, dated the 18th May 1944, I am directed to enclose a copy of the address delivered at the first meeting of the Reconstruction (Policy) Committee for Posts and Aviation on the 21st April 1944 by the Hon'ble Sir Mahomed Usman, Member in Charge, Posts and Air Department, Government of India, and a copy of a Press Note dated the 15th May 1944, summarising the results of the recent discussions between the representatives of the Governments of U. K. and U. S. A. The answer to the points raised in your letter would be found in these two documents. It is not yet certain whether any International Conference on Post-war Civil Air Transport would be held at all, and if held, when it would be held. In the circumstances it is premature to express any opinion on the question of the composition of any delegation that may be sent by the Government of India to such international conference, but I am to add that the views of your Chamber have been duly noted.

Address delivered at the First Meeting of the Reconstruction (Policy) Committee for Posts and Aviation on 21st April 1944 by the Hon'ble Sir Mahomed Usman, K.C.I.E., Member in Charge, Posts and Air Department, Government of India.

Gentlemen, I have great pleasure in welcoming you to-day to the first meeting of this Reconstruction Policy Committeee for Posts and Aviation. We are particularly grateful to the representatives of British Indian Provinces and of Indian States and to the non-official representatives who have undertaken arduous journeys in this weather in order to attend this Committee meeting and to give Government the benefit of their advice. Your presence is an evidence of the great importance which you attach to the development of civil aviation in India and to the necessity of planning on the right lines and in good time for such development. The aim which Government have in view in connection with all post-war planning was

stated by His Excellency in his address to the Central Legislature, and I do not think I can do better than quote from His Excellency's address. His Excellency said—" Our great aim must be to plan for economic and social development so as to raise our standards of living and general welfare. We must lift the poor man of India from poverty to security; from ill-health to vigour; from ignorance to understanding, and our rate of progress must no longer be at bullock-cart standard, but at least at the pace of the handy and serviceable jeep. " The importance of a reliable and extensive system of speedy communications for the development of industry, commerce, culture, and social well being of the country, and in fact of the world is, I believe, fully recognised. In fact such a system of communications is vital to such development. We are to-day concerned with the development of such communications by air.

2. As during world war I, so during the present world war, the impetus given by war requirements has resulted in rapid and vast developments in the manufacture of aircraft and in methods of navigation. When these are released for civil aviation at the end of the war, there is bound to be a very rapid development in air services on routes throughout the world. On account of India's geographical position many of the world routes will pass through this country. India must, therefore, be prepared to meet the needs of such routes ond services and to participate worthily and to the full extent in the operation of such services. Apart from such world routes, India's extent of territory makes her peculiarly suitable for the development of air services. I need not dilate on this aspect as it is, I believe, fully recognised by all. Owing to a variety of reasons, the development of air services within India before the war was very limited as described in the memorandum which has been presented to you. War conditions have not only prevented any extension of civilian air services but even those in existence have had a hard struggle to continue owing to non-availability of aircraft, spares, air crews, etc. The end of the war will, however, offer peculiarly advantageous opportunities for the development of such services.

3. The general policy which Government propose to follow in the development of air services has been described in the memorandum presented to you. It would perhaps be useful if I dealt with this important question at some length.

4. In the international field, the position before the war was briefly as follows. The full sovereign rights of every State in the air space above its territory was fully recognised. Along with about 30 other States, India had adhered to the International Convention for the Regulation of Air Navigation signed in Paris in 1919 known briefly as the I. C. A. N. Under the provisions of the Convention, India, along with other countries, undertook to give certain general privileges to the aircraft of the other ratifying States and to observe uniform practice in such matters as traffic rules and standards for licensing pilots and aircraft. The Convention did not, however, create any rights to operate scheduled international air transport services across any of the territories of the States who were parties to the Convention, except as a result of bilateral agreements between Governments or between the operating companies and the Government of the territory concerned. Discussions are now going on with regard to the post-war set up in the international field. It is clear that the principle of complete sovereignty of the State over the air space of its territory will be reaffirmed. " Freedom of the air " as now conceived would be merely an agreement among sovereign States to restrict the exercise of the recognised sovereign rights. To what extent such restrictions will be agreed to and on what basis international air services will be allowed to operate is a matter which will have to be decided by discussions between the Allied and neutral countries. You, gentlemen, must be aware from press reports that informal discussions have lately taken place between the countries of the British Commonwealth and more recently between the representatives of the Governments of the United Kingdom and of the U.S.A. Further informal discussions are likely to be undertaken with the Government of the U. S. S. R. and it is hoped to have later a conference of the Governments of the Allied countries. In all such discussions India will take her full part and it may be taken that she will secure equal rights with all the other countries which may finally agree to a Convention.

5. In all the discussions which have taken place so far, it has been clearly recognised that the internal air services of a country shall be the sole and exclusive concern of that country and that cabotage, by which is meant traffic which originates from and terminates in the territory of the same country, shall be reserved for the national services of that country. Our memorandum makes it clear that as regards India's internal air services, they should be

the sole concern of India and that the policy of Government is to develop civil aviation in India with Indian capital under Indian management, and to afford training and opportunities for employment to Indians. In the matter of international services, India will claim full reciprocal rights, and in the case of the participation of India in any through services, such participation shall be not only financial but technical as well as operational. I trust that this policy will meet with your full approval.

6. You will note that the air routes which have been planned are those which we consider necessary in modern conditions for the proper development of India as a whole socially, commercially and industrially. They do not take any specific account of defence needs—this is a matter which will be considered at a later date by the appropriate Department—nor are they planned with a view merely to foster the development of air travel and air consciousness of the people. Broadly speaking, the air services planned are those which it is anticipated will be able to pay their way in due course. I may mention here a small point. The services contemplated mention the names of certain intermediate towns in some cases. That does not mean that these are the only halting places on the route. I must make it clear that in addition to these services we expect independent development of a number of subsidiary routes and services operated by private enterprise to serve local needs, apart from taxi and charter services. It will be Government's aim to encourage the development of such services by making available such air routes facilities as are practicable, without interfering with the basic plan. Though the services planned may seem small and inadequate as compared with services operated in other countries, I would like to point out that they represent a very substantial advance over the pre-war services. A criticism has been made that the post-war plan has been conceived on a pre-war mentality. This criticism is not justified. In planning, we have avoided being mere visionaries and have planned with a view to what is practicable and capable of being achieved within a reasonably short period after the war. We do not visualise this as the end of all development.

7. The memorandum gives certain estimates of expenditure and revenue, and paragraph 9 explains how these have been arrived at. We recognise that these may require revision in the light of circumstances that may prevail at the end of the war, but we claim that on the whole they are the best that can be achieved in the light

of data available at present and in the light of our anticipations of the circumstances that may exist at the end of the war.

8. In paragraph 10 we have indicated the different types of organisations under any one or more of which the air services can be developed and operated and have tried to indicate briefly the advantages and disadvantages of each type of organisation. We are aware that there is considerable scope for difference of opinion in this matter and we would welcome the views of this Committee on this point.

9. Assuming that the final decision is against a complete State monopoly for the operation of all internal air services, we have indicated in paragraph 11 one method by which the establishment of air services can be assisted in the earlier years of operation. We should be glad to have the views of the Committee on this method. The note attached to the memorandum gives a summary of some of the systems of air transport subsidy adopted by other countries and we hope you have found it helpful in making up your minds on this aspect.

10. Assuming again that the operation of either some or all air services would be entrusted to private enterprise, we contemplate the establishment of an all-India Air Transport Licensing Board, the issue of Air Transport Licences and the prohibition of operation of regular air services without a licence. Statutory powers to this end have already been taken, the Legislature having passed an amendment to the Indian Aircraft Act. The principle of licensing air services has therefore been accepted and in fact we anticipate that even in the international field some such system will be adopted by agreement among the countries of the world. I need not dilate here on the evils of unrestricted competition and the advantages of controlled and regulated development in the best interests of the country. Rules for the licensing of air transport framed under the Indian Aircraft Act have been prepared and it is hoped to publish them shortly and invite public opinion thereon. According to the provisions of the Act, the rules after being finally approved will be placed on the tables of the two Legislatures. I do not propose to trouble this Committee with the proposed rules as they are not yet complete and as the members of this Committee as well as others will have an opportunity of expressing their opinions thereon when they have been published.

11. We have indicated in the memorandum that the system of air transport services outlined in the plan requires, for its successful operation, a large and up to date ground organisation. A further memorandum on the ground organisation required, *viz.*, aerodrome and air route construction and aerodrome and air route organisation has been prepared and sent to the members. I regret that members have not had enough time given to them to study these further memoranda but we felt that as these were ancillary and followed naturally on the plans already sent to members, it would be advantageous for members to have these memoranda also so that they could be studied along with the air route plan and commented upon at the same time. We shall be happy to hear any observations which members may have to make on these further memoranda.

12. Members will have noticed that the air services and the aerodrome and air route organisation have been planned on an all-India basis and include therefore the territories of Indian States. It would be impossible to plan or organise any rational system of air services in India except on an all-India basis and we feel confident that in this matter Indian States will be in complete accord with us. It is for that reason that we have invited the representatives of Indian States to participate in our planning discussions from the very beginning. Any questions of policy and other details as between the Government of India and the Indian States will, of course, form the subject of separate discussions through the Political Department, but we hope that the great advantages, nay, the inevitability of a single organisation controlling and regulating the operation and development of air services throughout India on a common standard for the benefit of the country as a whole will be fully recognised and that the necessary assistance, co-operation and sacrifice will be forthcoming from all.

13. For the convenience of the members of the Committee we have summarised in paragraph 15 of the memorandum the particular points on which the Committee's views are requested. These questions may not be exhaustive and there may be points on which members of the Committee may wish to express their views, and if so, we will welcome them.

14. I do not wish to detain you any further before proceeding to the discussion of the memorandum. My main object in addressing you at some length was to give you some indication of the

general policy of the Government, both in the internal as well as in the international field and to bring to your notice certain salient points in the memoranda. I hope it will be possible to finish our consideration of these memoranda to-day, sitting both in the morning and in the afternoon, but, if that is not possible, we shall be prepared to continue the session of this Committee tomorrow.

15. If members have no objection, I propose now to take up the questions mentioned in paragraph 15 of the memorandum but before proceeding to do so, if any member would like to make any general observations, we shall be happy to take note of them as also to answer any questions for information which they may wish to put.

POSTS & AIR DEPARTMENT

PRESS NOTE

In the course of the Debate on Civil Aviation, which took place in the House of Lords on the 10th and 11th of May 1944, the Lord Privy Seal referred to the recent discussions which had taken place between the representatives of the Government of the United States and His Majesty's Government. He characterised the discussions as satisfactory and stated that he hoped for an International Conference this year at which India and the Dominions would be represented. He mentioned that the American delegation at first proposed the constitution of an International Authority on a non-executive basis with no powers to enforce its regulations at least during the interim period. H. M. G.'s representatives put forward a Draft Convention prepared by Canada containing detailed plans for International Authority, allocation of frequencies of air services and national quotas. This was considered too rigid by the American representatives who agreed that further progress could be made on the basis of proposals agreed at the Commonwealth conversations last year. H. M. G.'s broad purpose would be to secure an International Convention to be implemented by an international organisation which would evolve standards, eliminate uneconomic competition, work out for each nation an equitable participation in world air transport and maintain broadly equilibrium between air transport capacity and traffic offered. The powers of enforcement are open to further discussion.

2. The President of the U. S. A. has declared for the right of innocent passage for all nations throughout the world and for the right to land anywhere for refuelling and non-traffic purposes.

H. M. G. joined with the President to the fullest extent in subscribing to these principles.

3. The principle of cabotage is accepted. It would apply, for example, to the traffic between the United States and Hawaii and between U. K. and Crown Colonies. Of course, Dominions and India will set up a similar system.

Letter No. 1214 *dated* 19*th June* 1944 *from Chamber to Posts and Air.*

I am directed by the Committee of the Indian Merchants' Chamber to acknowledge the receipt of your letter No. 27-V(18)/44 dated Simla, the 7th June 1944, and to thank you for enclosing a copy therewith of the address delivered at the first meeting of the Reconstruction (Policy) Committee for Posts & Aviation by the Hon'ble Sir Mahomed Usman as well as a copy of the Press Note summarising the results of the recent discussions between the representatives of the Governments of U. K. and U. S. A.

My Committee have carefully gone over the address as well as the Press Note, but they regret to observe that they do not find any answer to the following vital points in either of these documents :—

1. The nature of the conclusions reached at the Empire Air Conference which were characterised by Lord Beaverbrook as unanimous. There is absolutely no indication as to what those conclusions were.
2. Any further views and policies which might have been formed in view of these unanimous conclusions and enunciated in common with other parts of the British Commonwealth.

It will be appreciated that the Indian public is entitled to know what these conclusions and what these policies are, so that they can express their opinion as to how India's national interests should find their proper place in the evolution of plans both for national and international aviation.

Your letter states that it is not yet certain whether any International Conference on Post-war Civil Air Transport would be held at all, and if held, when it would be held. The Press Note sent along with your letter makes it clear that the International Conference would very likely be held this year at which India and the Dominions would be represented. In view of this fact, you will agree with my

Committee that it is not premature to express any opinion on the question of the composition of any delegation that may be sent by the Government of India to such an International Conference. While my Committee note that the views of this Chamber on the subject of the non-official members forming part of such a delegation, have been noted, they wish once again most earnestly to emphasise the fact, that it is essential, in India's interests, that non-officials, enjoying the confidence of the country, should be invited as members of the delegation that may be sent to such a Conference? If the need of such non-official association has been recognised in the deliberations of the World Monetary Conference, it is surely of fundamental importance that such association should form the fundamental basis of the composition of any future delegation that may be sent to the International Conference on civil aviation. My Committee would, therefore, submit that not only should their views on this subject be merely noted, but that the Government would be pleased to act upon them and invite non-officials, enjoying the confidence of the country, to join the officials that may be sent to the International Conference referred to above.

There is no mention either in the plan or in the speech of the Hon'ble Member in regard to the necessity of establishing and developing an aircraft industry in India. The plan also does not take any cognisance of the defence requirements of the country. The plan also does not recognise the necessity of fostering the development of air travel or creating air consciousness in the minds of the people of the country. There is nothing either in the plan or in the speech which tells the public without any reservation that it will be the responsibility of the Government to take all effective steps for the development of civil aviation, when the war comes to an end. These are very vital and fundamental omissions in the plan evolved by the Government and my Committee will feel grateful to you if you will kindly enlighten them as to what steps the Government propose to take to see that they find their proper and effective place in any proposals for securing the right and proper place of India in the field of national and international civil aviation.

It is stated in the Press Note, a copy of which was sent along with your letter, that " this was considered too rigid by the American representatives who agreed that further progress could be made on the basis of proposals agreed at the Commonwealth conversations

last year." My Committee presume that the proposals referred to as the Commonwealth conversations are the unanimous decisions reached at the Empire Air Conference. If that is so, it is doubly essential that these proposals and decisions should be communicated to the public. My Committee hope that the Government will, therefore, give their further careful consideration to the request which they have made in this as well as in their previous communications.

It is stated in the Press Note that the purpose of His Majesty's Government would be to " work out for each nation an equitable participation in world air transport ". Lord Beaverbrook also asserted in the House of Commons that " these principles must assure to all countries a free and fair share in this new means of transportation ". He further added that " no nation, great or small, except, of course, a guilty aggressor nation, must be debarred from taking a full and equitable part in the upsurging development of civil aviation that will follow at the end of the war ". My Committee will, therefore, be obliged to the Government of India if they were to tell them as to what response the Government of India have given to such a proposal and as to what effective steps the Government of India propose to take to secure " free and fair share " for India so that it may, along with other nations, have an equitable participation in the world air transport.

My Committee will feel grateful to you if you will kindly send them a fuller reply on the points raised in this communication at as early a date as possible.

Letter No. 27-V(18)44 dated 27th July 1944 from Government of India, Posts and Air to Chamber.

I am directed to refer to your letter No. 1211, dated the 19th June 1944, in which your Chamber asks for a fuller reply on certain points raised in the letter.

2. Your Chamber wishes to know the nature of the conclusions reached at the Empire Air Conference, and any further views and policies which have been formed. As has already been indicated, these conclusions were of a purely provisional nature and are confidential in character for the present. Further informal exploratory talks of a bilateral character are now taking place between the representatives of certain of the Allied Nations. The objection is to find a suitable basis for the holding of an International Conference and it is considered inadvisable and as likely to cause embar-

rassment if any publicity were to be given at this stage to views which may be entertained by any country or countries but which may have to be considerably modified as the result of further discussions. It is hoped that the Chamber will appreciate the position.

3. As regards the International Conference itself it is hoped that such a conference may be possible this year. But there is as yet no certainty. As regards the character of the delegations, this will depend on the agreement of the nations who will be attending the Conference. The views of your Chamber have been noted but it is not possible at this stage to express any opinion on those views.

4. The possibilities of building up an aircraft manufacturing industry in India after the war are not being lost sight of. The plan to which your letter refers is a plan for the development of air transport and there are many other aspects of aviation which are also receiving attention. India's requirements of civil aircraft, which will be of varied types, will not in themselves provide an economic basis for an aircraft manufacturing industry in the foreseeable future. The requirements of aircraft for defence is a matter for the War Department and there will be full collaboration between the two departments when conditions permit of such post-war Defence air requirements being dealt with. The development of air transport and other civil aviation activities which the Government of India confidently hope will take place after the war will necessitate and justify the gradual building up of factories and workshops to deal with special repairs, overhauls and servicing of aircraft and their equipment, and eventually, in combination with demands from other quarters the complete construction of aircraft. While giving sympathetic consideration to all practical steps which may be taken towards the ultimate aim of an aircraft construction industry in India, the Government of India are of opinion that the time has not yet arrived to formulate specific plans for establishing such an industry without the basis of a market for its product.

5. Government have already definitely stated their view that they accept responsibility for providing the ground organisation and all other allied services on all main routes so as to enable civil air transport services to function, and it is their intention to promote the development of all such services on rational and economic lines.

Letter No. 1817 dated 8th September 1944 from Chamber to Posts and Air, Government of India.

I am directed by the Committee of the Indian Merchants' Chamber to acknowledge the receipt of your letter No. 27-V(18)/44 dated the 22nd July 1944 and to reply as follows in regard to the points mentioned therein :—

As the conclusions arrived at the Empire Air Conference were of a purely provisional nature and were confidential in character, you want the Chamber to appreciate the view of the Government that their publication is inadvisable, as it might cause embarrassment. My Committee, however, would like to point out to you that His Majesty's Government do not feel any hesitation in disclosing their views and policies to the members of the House of Commons and reference to the conversations at the Empire Air Conference, in the course of their statement, does not cause them any embarrassment. Similarly, the representatives of the United States Government do not take the view that they should not inform their countrymen of the vital issues which have been raised during their talks with the Government of the United Kingdom. Again, the Press Note, enclosed with your letter of the 7th June, gives an idea as to how the purport of the talks which His Majesty's Government had with the representatives of the United States Government was communicated to the House of Lords. The Empire Air Conference was followed by another International Conference in Washington, where a number of countries had bilateral conversations with the United States on the subject of post-war civil air, navigation and transport. Some indication of the broad features of such talks—vague and unilluminating as it was—was given in a press *communique*, which was issued a few days ago. It is expected that an International Conference would now be held at an early date for arriving at an understanding in regard to the questions of civil aviation, navigation convention, etc. It is, therefore, essential that the country should be in a position to know what the views of the Government are in these important matters and what lines of action they propose to take at the forthcoming International Conference, so that the country might offer useful and intelligent observations on this vital subject and might let the Government know what they should do for protecting and promoting the national interests of this country at that gathering.

My Committee regret to state that the Government of India have not recognised the responsibility of taking the country into their confidence in this connection. Their regret, however, is the greater because neither have they communicated these decisions and their policies to the elected representatives of the people nor have they informed even the Reconstruction Policy Committee for Posts & Aviation of their own nomination in regard to these vital matters. My Committee have, therefore, to request once again in all earnestness that the Government would be pleased to reconsider their attitude in this matter and take the country fully into confidence in regard to all that has happened at these International talks, long before the convening of a future International Conference, at which India is going to be represented.

As the convening of an International Conference is now more or less a certainty, it is necessary to consider the character of Indian representation at such a Conference. Your letter states that the character of the delegation to be sent to such an International Conference from India will depend on the agreement of the nations who will be attending the Conference. My Committee need not point out to you that non-official members, enjoying the same status as the official members, were sent by the Government of India to the recent World Monetary Conference held at Bretton Woods. These non-official members formed an integral part of the delegation that was sent from India. My Committee have already set forth their views as to the necessity of sending non-officials to such a Conference in their letter dated the 19th June. My Committee have, therefore, to request you, in all earnestness, that your Department will be pleased to take a very broad view of the situation and will arrive at a decision to invite non-officials carrying popular support and enjoying popular confidence to form an integral part of the delegation that may be sent to the International Civil Aviation Conference that is to be held in the near future.

My Committee are glad to learn that the possibilities of building up an aircraft manufacturing industry in India after the war are not being lost sight of. My Committee appreciate your statement that India's requirements of civil aircraft will not in themselves provide an economic basis for an aircraft manufacturing industry in the foreseeable future. My Committee, however, are disappointed to learn that the Government are of opinion that the time has not

yet arrived to formulate specific plans for the establishment of an aircraft manufacturing industry in the country, as they feel that there is no basis of a market in India for its product. My Committee would like to point out to you that even the establishment of an aircraft industry in Great Britain, it is admitted, has not the same economic market for its products, as it would necessarily require. Such a state of things has, however, not prevented England from establishing an aircraft manufacturing industry in that country. Australia has also established such an industry, although it cannot have an economic market for its civil aircraft. My Committee, therefore, regret that the Government of India are only inclined to put up with factories and workshops which will deal with repairs, overhauls and servicing of aircraft and their equipment. It cannot but be recognised that every important country should have a well developed aircraft industry within its borders, as it is quite essential for its defence requirements in the future. The immense potentialities of developing air travel in India and the essential need of developing the air industry for its defence render the establishment and development of an aircraft manufacturing industry in India quite essential. If it is not possible to establish and run such an industry on economic lines by private enterprise, my Committee would most strongly urge the starting of such an industry in the country as a State enterprise and as a State necessity. My Committee would, therefore, request you to give your further thought and serious consideration to this most vital problem which will affect the aviation activities of the future both on the civil as well as on the defence side of the country.

Two points of considerable importance, to which my Committee invited your attention, in their letter of the 19th June remained unanswered. My Committee stated:

> "The plan also does not recognise the necessity of fostering the development of air travel or creating air consciousness in the minds of the people of the country. There is nothing either in the plan or in the speech which tells the public without any reservation that it will be the responsibility of the Government to take all effective steps for the development of civil aviation, when the war comes to an end."

The speech made by Sir Frederick Tymms, Director-General of Civil Aviation, the other day, does not show that the Government

of India recognise their responsibility, in national interests, to see that services owned, controlled and managed by the nationals of the country, both in the field of civil aviation in India and in the international field come actively into existence and develop on lines which will secure to India its just share of civil air traffic. The recent Press Note, summing up the conversations between the representatives of the Government of India and the Government of the United States, states that both the sides have agreed that it was desirable to adopt all practicable measures to promote early expansion and development of international air services for the common benefit of the people of the world. It is difficult to understand what part India is going to play and what share India will be allotted in the development of all such international air services. That is the reason why my Committee have been requesting you to let them know what the policy of the Government of India is to develop national air services for carrying national traffic. As the position stands today, the non-national interests have been enjoying a substantial share of the internal traffic. This is certainly against the national interests of this country. My Committee would, therefore, feel grateful to you if you would kindly enlighten them as to the real intentions of the Government in this matter and tell them in clear terms whether it is or it is not the policy of the Government of India that so far as services within the country are concerned, they will be allowed to be run only by the nationals of the country and that the Government of India would take all possible steps and render all possible assistance to ensure that services owned, controlled and managed by the nationals of the country are allowed to secure a fair and legitimate share of the civil air traffic in the international field. My Committee will be obliged if you will kindly inform them what the Government of India propose to do in connection with these matters which are bound to fundamentally affect the development of civil aviation in this country on national lines in the future.

Telegram dated 28th October 1944 from Chamber to Posts and Air.

Continuation our letter 8th September Committee Indian Merchants' Chamber understand United States have invited fifty-five countries to International Civil Aviation Conference to be held in America from 1st November. Committee have already submitted their views in their letters to you regarding the character of Indian representation at such an international conference and have urged

upon the Government the imperative necessity of sending non-officials carrying popular support and enjoying popular confidence to such a conference as an integral part of Indian delegation. Government have already adopted the policy of associating non-officials with officials to such international conference when they sent their Delegation to the recent World Monetary Conference. Committee have therefore no doubt that this policy will be followed in the composition of Delegation to be sent to International Civil Aviation Conference and request Government that they would forthwith announce the names of officials and non-officials whom they have chosen not only to inspire confidence in the work of such a conference in the country but also to ensure that the interest of this country would be properly represented.

Letter No. 2553-V|44 dated 18th October 1944 from Posts and Air, Government of India to Chamber.

I am directed to refer to your letter No. 1817, dated the 8th September 1944, on the subject of post-war Civil Aviation and to your subsequent telegram on the question of the Indian Delegation to the International Conference on Civil Aviation.

2. With reference to your complaint that the Government of India have made no information available regarding their policy in the matter of international aviation, your Committee appear to have overlooked the statement of policy issued in the Government of India's Press *communique*, dated the 27th July 1944. I am now to enclose a copy of that *communique*. That statement of policy covered all the major points which may arise in international discussions, and I am to suggest that if your Committee does not agree with the policy announced, they should submit their specific views. It is not possible at this stage for Government further to elaborate that statement.

3. Your Committee suggests that non-officials should be included in any Indian delegation to an International Conference on Civil Aviation. Government have very carefully considered this suggestion and have come to the conclusion that it is neither practicable nor necessary to include non-officials in any such delegation. The Government of India are not aware of any grounds to justify any fear that the interests of India would not be adequately protected and promoted by an official delegation. This delegation consists of the following officers :—

(1) Sir Gurunath Bewoor, C.I.E., I.C.S., Secretary to the Government of India, Posts & Air Department (Delegate).
(2) Sir Frederick Tymms, Director of Civil Aviation in India, (Delegate and Expert Adviser).
(3) Mr. Gurdyal Singh, Aerodrome Officer (Delegate).
(4) Mr. S. C. Sen, Aerodrome Officer, Secretary (Delegate).

4. Your views on the need for an aircraft manufacturing industry in India on the ground of defence requirements if not justified on commercial grounds, have been duly noted and will be communicated to the appropriate Department.

5. It would appear that your Committee is not satisfied with the adequacy of the plan for the development of internal air services of India. I am to point out that the plan provides for a system of trunk air services considered necessary in modern conditions for the proper development of India as a whole industrially, commercially and socially. Having regard to the financial and technical resources of the country available in the early post-war period, the Government of India feel that broadly speaking it would be unwise to attempt more as an initial step. This does not exclude, however, the establishment of feeder and other services as soon as the necessary resources become available. As regards external air services, the Government of India have not yet formulated their plans. These are, however, under consideration.

6. Your Committee would perhaps be interested in seeing the plans for post-war civil aviation development as prepared so far and the discussions in the Policy Committee, during the course of which certain points were clarified. I am to enclose* a copy of the record of the first meeting of the Policy Committee on Posts and Aviation for the information of your Committee.

APPENDIX 2

Rules and Regulations regarding movement of Cargo by Country Craft

Telegram dated 14th August 1944 from Chamber to War Transport Department.

Committee Indian Merchants' Chamber have received representations from trade and other interests concerned drawing their attention to the fact that in view of the increased traffic now being carried

* Not printed.

by countrycrafts it is necessary to evolve rules and regulations for the safety of the craft and in regard to the conditions under which cargo is carried. Rules and regulations should be framed for the registration annual renewal seaworthiness and survey of craft before licences are issued. Regulations should be laid down for the loading capacity of craft so that they may not be overloaded. Report of cases of jettisoning should be made obligatory. Proper salvage and rescue facilities between centres should be ensured unmanifested cargo should not be allowed to be loaded. These regulations it is considered are necessary for inspiring greater confidence in those who utilise that service as well as for purpose of getting proper banking and insurance facilities. Committee would be pleased if Government would take early steps for issuing such rules and regulations in consultation with interests concerned.

APPENDIX 3

Route System for Country Craft Traffic

Telegram dated 11th August 1944 from Chamber to War Transport Department, Government of India.

" Committee Indian Merchants' Chamber understand Government of India have decided that movement of cargo by country craft on west coast during ensuing season will be carried under Route Scheme laid down by them. Route Scheme is another name for Zone System which was introduced last year and had to be withdrawn in view of opposition from commercial bodies and concerned interests. Under Route Scheme we understand west coast is proposed to be divided in six routes and one route will be allotted to one agent. Underlying principle of Route Scheme is to restrain nationals of India from plying their country craft wherever they like on coast. This is in glaring contrast to continuous opposition of Government reserving coastal trade for nationals. Route Scheme cannot be justified on principle since it is based on restrictions for nationals but freedom for outsiders for plying in home waters. Moreover one agent running one route is bound to result uneconomic and inefficient working of movement of cargo. Existing interests in country craft movement will not be able to carry out their contractual obligations or maintain their relations regarding through booking with railways built up since decades past moreover route scheme will not be able to achieve object Government in view

namely carriage of large volume of cargo by country craft and carrying more of such cargo by country craft as was not carried under normal circumstances. Committee regret that Government once again not consulted commercial interests regarding such vital change. On all above grounds Committee strongly protest against introduction Route Scheme and earnestly urge upon Government drop it and allow cargo to be moved by country craft freely in future as in past. Committee will appreciate early reply regarding action finally taken by Government ".

APPENDIX 4

Post-War Long-Term Planning of Sites for Wadi Bunder and Carnac Bridge Goods Depot

Letter No. 5408-E-53 *dated* 10*th October* 1944 *from General Manager, G. I. P. Railway to Chamber.*

In the course of Post-War Planning, it was considered desirable to examine, as an item of long-range planning, the necessity, or otherwise, of maintaining Carnac Bridge as a goods handling depot in addition to Wadi Bunder, which is situated about one mile further north.

2. Factors which have a bearing on these considerations include :—

(1) The probable early closing of St. George's Hospital, on the site of which the G. I. P. have an option.

(2) The possible future amalgamation of the broad-gauge sections of the G. I. P. and B. B. & C. I. Railways.

(3) Planning in connection with the reconstruction of Prince's and Victoria Docks.

3. A joint Committee of the two Railways, including the Engineering and Commercial Branches, was convened to consider probable future requirements in broad outline, and a copy of their report is attached. It will be seen that the Committee consider :—

(1) That there is no need to maintain two separate goods depots if and when the two Railways are amalgamated, and that the Carnac Bridge Depot should be closed.

(2) That the land available by the removal of Carnac Bridge Depot should be used, together with the land evacuated by St. George's Hospital, for an expansion of facilities at Victoria Terminus.

(3) That all inward and outward goods traffic in full wagon-loads, except traffic which is dealt with at Bombay Central, should be dealt with by the B.P.T. Railway.

(4) That the G. I. P. Goods Depot at Byculla should be used for outward piecegoods traffic both in full wagon-loads and in ' smalls '.

(5) That the Wadi Bunder Goods Depot (the capacity of which is approximately 450 wagons a day) should be used for all other inward and outward goods traffic in ' smalls '.

The Committee, further, do not consider that an extension of the WADI BUNDER area is ever likely to be necessary in the future, provided it is reserved for ' smalls ' only.

Various other suggestions of a minor nature have been included in the report.

4. In accordance with the recommendations in para. 3(3), (4) and (5), the Chairman, Bombay Port Trust, was addressed to ascertain whether, in the event of the future amalgamation of the broad gauge sections of the G. I. P. and B. B. & C. I. Railways, the Trust would be able to undertake the handling of inward and outward traffic in full wagon-loads on Port Trust land, the total traffic which would be diverted to the B.P.T. Railway under this proposal being estimated at about 200 wagons inward and 100 wagons outward per day.

5. The Chairman of the Bombay Port Trust has now advised us that, after careful consideration of the effects of several uncertain factors (such as the volume of post-war cotton traffic, etc.), the Trust has decided that it " would definitely be able to undertake the handling of inward and outward traffic in full wagon-loads to the extent indicated ". Foodgrains, pulses and oilseeds would be dealt with in the Grain Depot with the exception of the northernmost " T " Shed which would probably be available for other full-load-traffic. The sites proposed have been marked 6 and 10 in the attached plan.

6. Before proceeding further with this proposal, we feel it necessary to place it before your Chamber/Association for its views.

7. We shall be much obliged if you will arrange accordingly and favour us with your Chamber's/Association's views as early as possible.

8. Please send your reply to the General Manager, G. I. P. Railway, in duplicate.

Letter No. 2343 dated 22nd November 1944 from Chamber to General Manager, G.I.P. Railway.

I am directed to acknowledge receipt of your letters of the 10th October 1944, No. 5408-E-53 and 17th November 1944, No. 5408-E-66, on the above subject and to submit hereby the views of my Committee thereon as follows :

Your letter at the outset refers to the necessity or otherwise of maintaining Carnac Bridge as a goods handling Depot in addition to Wadi Bunder which question is linked up with the option of the G. I. P. Railway on St. George's Hospital ground and the probable amalgamation of the broad-gauge sections of the G. I. P. and the B. B. & C. I. Railways. Among the other consequential proposals based on the presumption of amalgamation of the two railways in future as contained in your letter under reference are that (i) the Carnac Bridge Goods Depot might be closed, (ii) the inward and outward goods traffic in full wagon loads, except traffic dealt with at Bombay Central, be dealt with by the B.P.T. Railway, (iii) the G. I. P. Railway Goods Depot at Byculla be used for outward piece-goods traffic, both in full wagon loads and in smalls, and (iv) that the Wadi Bunder Goods Depot be used for all other inward and outward goods traffic in smalls.

My Committee have given full consideration to the above suggestions. They feel that the question as placed before them affects the vital interests of the business community in Bombay. In this connection, they would like to refer to the memorandum enclosed along with your letter under reference regarding the joint meeting of the Chief Executives of the two Railways on the basis of which the above proposals are made. The memorandum has " considered the possibility of linking future port development with the requirements for future expansion of two railways." It further states that " enquiries with the Bombay Chamber of Commerce and the Bombay Port Trust officials indicate that the problem of post-war development of the port has not been considered in sufficient detail to be of assistance to the railways. No estimates of import and export traffic to be handled through the port in the post-war period have yet been made and it is considered that the present time is too early for arriving at conclusions." My Committee cannot under-

stand why it was thought proper to consult only the Bombay Chamber of Commerce and the Bombay Port Trust officials and not this Chamber with regard to such important questions affecting the commercial community.

The memorandum presumes a likely shrinkage in the volume of port traffic handled in Bombay after the war. These observations as made in the memorandum indicate insufficient date on which the Executives of the two railways have proceeded to base the suggestions made in your letter.

Under the circumstances, my Committee are apprehensive of expressing any definite opinion on the said proposals in the absence of any sufficient data or statistical information regarding the post-war expansion of trade with regard to railways and the port of Bombay.

My Committee, however, have tentatively considered the suggestions in the light of information placed before them and have come to the following conclusions :—

1. The removal of Carnac Bridge Goods Depot would cause great hardship to the commercial community as the Depot occupies a central place in the trading area.

2. The proposal regarding the B.P.T. Railway handling all traffic in full wagon loads was not acceptable as the location proposed was far away from the business centre.

3. The Committee have no objection to the piecegoods traffic being handled at the G. I. P. Railway Goods Depot at Byculla.

In view of the above conclusions, the question regarding Wadi Bunder Goods Depot does not arise.

My Committee would like to stress the fact that the above conclusions are only tentative and they are given in the hope that they may be made a basis for any revision of the future planning in respect of the two sites as also the port of Bombay. They would particularly like to refer to your letter of the 17th instant wherein a reference is made that the Port Trustees have not been consulted in the matter and that the Port Trust has accepted these proposals without taking the Trustees into their confidence. My Committee consider this very unfair to the public in general and the trade in particular in view of the fact that the activities of the Port Trust are linked with the future planning of the two sites.

APPENDIX 5

Restrictions on Passenger Travel

Letter No. 1088 dated 1st June 1944 from Chamber to War Transport Department, Government of India.

The Committee of this Chamber had occasion to comment on the reduction in passenger services and the consequent overcrowding in Passenger Trains and the extreme hardship and inconvenience suffered by the travelling public as a result thereof, in their letter dated the 3rd June 1943. Unfortunately, the Government of India did not consider the suggestions of my Committee favourably and the situation has worsened considerably during the course of the year. It is no exaggeration to say that hardly a week passes by in Bombay without one, two or more passengers being killed on account of the overcrowding of trains. From the press reports of different places, it appears that this complaint is not confined to Bombay alone, but that the grievance has spread to other provinces also. Instead of remedying the situation by providing more passenger trains or passenger vehicles, Government appear to have tried to find out a shortcut by initiating a so-called " Travel Less " campaign. My Committee may be excused for saying that of all the slogans introduced or inaugurated by Government since the war began, this particular one of " Travel Less " campaign threatens to be the most harassing and obnoxious to the general public.

The zeal and enthusiasm with which this campaign of " Travel Less " is pushed on makes the authorities often forget that those who travel are human beings and should be treated as such. In their letter referred to above, my Committee wrote that the message of avoiding any needless travel should be carried evidently not only to Indians who are the travelling public, but to sections of the other travelling public also and perhaps even to certain sections of Government services. In a vast country like India where people have to cover long distances for going from one place to another, it is impossible for them to curtail travelling to any appreciable extent. There are several factors which have always operated against the necessity for travel in this country. The extreme poverty of the people compel them to restrain their desire for travel even when it is necessary for them to do so. Moreover, travelling has never been, to put it mildly, an attractive proposition in India. Not only are the elementary and human facilities and amenities denied to

the travelling public, particularly of the Third Class, by the Railways, but the treatment that has been meted out by the different Railway Administrations to Indian passengers often makes them feel that travelling is a matter of sufference and not a matter of right. Far from looking upon travelling, therefore, as a matter of joy or luxury, the Third Class passenger who is the real backbone of the railway prosperity has come to look upon it as an ordeal which he goes through only as a result of sheer necessity. He, therefore, does not need the education of a " Travel Less " campaign. On the contrary, he requires active encouragement of a " Come, Travel Comfortably and as a human being ", movement.

The hardships and difficulties mentioned above which militated against the desire and necessity for travel even in peacetime have been further increased since the beginning of the war. Passenger services have been curtailed to a considerable extent and on local trains as well as sometimes on through trains passengers are obliged to travel on foot-boards with great danger to their lives. As already remarked, several casualties are occurring as a result of this foot-board travelling. In fact, recently a report appeared in the press that passengers were travelling on roofs of railway carriages. While this new slogan of " Travel Less " is being pushed forward for ordinary Indian civilians, it does not seem to apply to members of the services. My Committee realise and appreciate that movements of troops have to go on. But the movements of different members of the services are not evidently all due to the war operations. There was a discussion at a meeting of the Local Advisory Committee of the G. I. P. Railway when Sir Purushotamdas Thakurdas said that he had questioned Marines he had seen up at Simla and found that they were there on holiday and he thought that Government themselves could take a lot of action to reduce this unnecessary travel. Sir B. Rama Rau, a member of the Committee, suggested that military travel to such places as Kashmir from the South and Ootacamund from the North might also be responsible for a great deal of the additional travel. It is proposed that travelling should be discouraged by means of posters. Posters were tried for the " Grow More Food " campaign and for popularising war recruiting and for several such purposes. It has been found, however, that they did not achieve their purpose and that if there was more food grown or if there was satisfactory recruiting, all this was in spite of the advertisements and not because of the advertisements,

which were entirely oblivious of the psychological aspects of the question and irritated the people of the country by the senseless language in which they were couched and the un-understanding and un-appealing pictures which were drawn. No less a person than the Chairman of the G. I. P. Railway Local Advisory Committee said that he was rather horrified when he first heard of this campaign and that it would give the railways a bad name from which they would be unable to recover. It appears that he was assured by the members of the Railway Board that the propaganda would be carried on with sufficient skill to avoid this undesirable consequence. This assurance, however, like other assurances, appears to have gone the way of the other assurances and we find pictures wherein passengers are shown falling down from railway carriages and accidents happening owing to the inefficiency of the railways. Surely, it is not a matter for advertisement by railways themselves that after years of administration, they should still now be running trains from which passengers can fall down and which are liable to any sort of accidents and where the treatment meted out to passengers is not all that self-respecting people can claim and deserve. When a member asked at the meeting of the G. I. P. Railway Local Advisory Committee referred to above, whether the conclusions in regard to the directions in which this publicity was being taken were based on any enquiry, the Chief Traffic Manager replied that a census had been taken by all the railways and the reasons why people were travelling had been ascertained from travellers themselves, but this had revealed that the greater part of the travel was essential. My Committee here would like to emphasise the fact that the manner in which the work of the different Departments of the Government has been carried on at present makes it compulsory for the people who have to deal with these Departments to travel long distances as they have to co-operate with the Government in their war efforts. This important aspect of the travel does not seem to have received that close consideration which it really deserves.

In view of what has been stated above, it will be recognised that the launching of a " Travel Less " campaign and the exhibition of the dangers of travel which do not exist and the education of the general public therein is not only not the right and correct solution of the problem that exists and will only add and add considerably to the irritation and bitterness which exist amongst

the travelling public. The proper approach should be to provide the amenities, facilities and services which are essential for the carriage of passengers even in these days of war and my Committee have to urge upon you to consider the desirability of solving this vexed question in that spirit and from that point of approach.

In this connection, I am asked to enclose herewith an advertisement in the " Eastern Rotary Wheel " inserted by a responsible Travel Agency. The advertisement says " Travel Made Easy ". " Start Booking now for next Season's Holidays in the Hills ". Does this mean that while travelling is going to be made more difficult for the poorer sections of the Indian travelling public, it is going to be made easy for non-Indian sections of the public as well as perhaps for the richer sections of the Indian travelling public? It is extremely incongruous that on the one hand the railways should start a " Travel Less " campaign and on the other advertisements of the Travelling Agencies should appear inviting the public to go to the Hill Stations. Moreover, Government servants travel even now reserving the whole compartment to themselves. Can it be contended that their conduct is in keeping with the object which the Government have in view?

Under the circumstances, my Committee beg to request the Government of India to be pleased to issue instructions for the withdrawal of this " Travel Less " campaign and to try their best to meet the wants and requirements of the travelling public by providing them with the necessary amenities of life and giving them better service in consonance with modern standards of travel by increasing both the number of passenger vehicles and passenger trains.

APPENDIX 6

Disorganization in the Suburban Service on the B. B. & C. I. Railway

Letter No. 2413 dated 7th December 1944 from Chamber to General Manager, B. B. & C. I. Railway and G. I. P. Railway.

The attention of my Committee has been drawn to the hardships and serious inconvenience caused to the public by the disorganisation in the suburban train service during the last few days as a result of the abstention from work by some of the workmen. As your railway administration is aware, a good number of people

who reside in the suburbs and who have their places of business, vocation or calling in the city or thereabout, depends on your suburban service for their daily incoming and outgoing trips and they have been seriously handicapped in the pursuit of their normal occupations by the existing disorganised condition of the service.

My Committee have no desire to go into the circumstances connected with this disorganisation or enter into a discussion of the merits of the dispute that is said to have been responsible for the same. They are mainly anxious to see that normal services are restored without any further delay and to this end they would impress upon your railway administration to take all possible steps to avoid any further inconvenience to the travelling public. It need not be emphasised that if the present conditions are allowed to continue, the normal functioning of the civic and commercial life of the city will be jeopardised.

It has to be remembered that the services are so curtailed and the compartments are so inhumanly over-crowded that it is sheer luck that more injury to or loss of human life have not occurred. That, however, cannot and does not absolve the Railway authorities of their responsibility to provide adequate travelling facilities with due convenience and comfort and with all legitimate precautions for proper safety. Moreover, it should not be forgotten that a good part of the population using the suburban service is directly or indirectly concerned with the work or effort which is either connected with or has got an important bearing on activities connected with the war. My Committee are, therefore, constrained to remark that these additional and urgent problems cannot be ignored any further by the Railway authorities and they, therefore, would urge upon them in all earnestness that they will not fail in their duty to take immediate and effective steps for the restoration and resumption of normal traffic and adequate services without any further delay.

In this connection, my Committee would like to refer to a public advertisement issued by your Administration containing a warning about the necessity for a reduction in the number of electric suburban trains and exhorting the public " to avoid travelling as far as possible " and asking that " suburban residents should stay in Bombay if they are able to do so." My Committee are not in a position to know whether this notification is due entirely to the strike or to the difficulty in maintaining and repairing the electric trains. Even if both the factors are operating in having the Railway

Administration to put up this advertisement, my Committee would like to emphasise that the state of things, which has come about, has been causing extreme hardship, harassment and inconvenience to the public and the Railway Administration cannot escape their responsibility by putting up such a notice. My Committee cannot believe that the Railway authorities are unaware of the terrible congestion of population in the city and the unprecedented shortage of dwellings therein. Nothing can illustrate better and impossibility of Bombay providing shelter for a single more soul under the present circumstances than the implications contained in the significant observation of Mr. N. V. Modak, City Engineer of Bombay that " about three lakhs of people lived on the foot-paths and refuse in the city, had increased by 500 tons a day." To call upon the people of the suburb, under these impossible and hopeless condition to shift to Bombay even with the proviso " if they are able to do so " shows, my Committee are constrained to submit, not only an improper appreciation of the sense of responsibility but also betrays a woeful lack of human sympathy and understanding on the part of the railway authorities. My Committee consider it their duty to add that the B. B. & C. I. Railway, which is now a Government Railway, will recognise that it is their primary responsibility to render proper service to the public and not to take shelter behind a public announcement calling upon the people to shift for themselves. The public, my Committee cannot help adding, have put up with this intolerable situation owing to the present emergency and in the hope of the improvement of the situation, but they cannot be expected to allow the new situation, created by the recent disorganisation of the services, and the announcement calling upon them to go to live in Bombay to go unchallenged. It adds insult to injury. My Committee will, therefore, feel grateful to the railway authorities for dealing immediately and effectively with the situation and by telling the people clearly and definitely what steps they propose to take to do so. My Committee have no doubt that the railway authorities will not allow the present grave situation to develop into a public scandal but will deal with it tactfully and effectively in the larger interests of the public and in time.

Telegram dated 8th December 1944 from Chamber to War Transport Department, Government of India.

Committee Indian Merchants' Chamber earnestly request immediate attention of Government to the serious situation caused by

continued disorganisation in the B. B. & C. I. Railway suburban electric service since Saturday last. A large number of population residing in the suburbs and having their business and calling in the city depends on the suburban railway service for their daily movements. If speedy and effective arrangements are not made for the restoration of this service in full the civic, commercial and industrial life of the city will almost be paralysed. It is significant to emphasise that a good part of the suburban population coming to the city is directly or indirectly concerned with work or effort bearing on war activities. Committee also wish to refer to a public advertisement issued by the Railway Administration exhorting the public to avoid travelling as far as possible and asking the suburban residents to stay in Bombay if able to do so because according to the railway of the difficulty in maintaining and repairing the electric trains. The Railway Administration seems to have ignored the existing living conditions in the city. The population of Bombay has now almost doubled and according to a recent statement made by the City Engineer about three lakhs of people lived on the foot-paths. The exhortation of the Railway Administration therefore to the suburban residents to do the impossible thing of finding accommodation in the city shows an utter lack of appreciation of the existing state of affairs. Committee consider that it is a responsibility of the B. B. & C. I. Railway which is now a state undertaking to take all possible steps to prevent any disorganisation in the essential services and to provide reasonable facilities and amenities for the travelling public and Committee therefore urge that Government will please see to it that the Railway Administration is enabled to discharge this responsibility in an effective and satisfactory manner and request their intercession to that end.

APPENDIX 7

Increase of Passenger Fares on Railways

Telegram dated 19th January 1944 from Chamber to War Transport Department, Government of India.

Committee Indian Merchants' Chamber are given to understand that Government are contemplating a substantial increase in the passenger fares on Railways. If the report is true Committee must express their deep concern and surprise. Immediately after com-

mencement of war a general increase in passenger fares was effected. Railways have already contributed to the general revenues a sum of over eighty crores during the last four years representing increased collections both on account of the increased fare and increased traffic. Committee constrained to observe that if Government now impose any additional burden it would be tantamount to using the railways as a vehicle of direct taxation for Government's budgetary requirements. Tax on communication is acknowledged to be particularly a bad form of tax and deprecated in all authoritative quarters. It is more so in a country of long distances like India where travel is unavoidable and where facilities in the form of alternative transport are extremely inadequate. Moreover the central mass of population in the country is suffering from effects of high prices and from the results of the Government's policy of inflation and if at this juncture a substantial increase is made in the charge for railway travel they will be put to untold hardship. Committee have seen suggestions to this fact that the increase is mainly prompted by desire to restrict and check travel. Government have already curtailed travel facilities since commencement of war to the extent of nearly forty per cent and surely there must be a limit beyond which essential travel cannot be curtailed. Moreover travel for pleasure or as a luxury is almost absent in this country and in these days when conditions of travel are far from encouraging people will undertake railway journey only when same is unavoidable. Therefore suggestion of discouraging travel as an excuse or reason for the increase unconvincing. Committee therefore convey their most emphatic protest against the proposed move and consider the same as unjustified and uncalled for. They hope that Government will not go ahead with the proposal.

APPENDIX 8

Classes of Coaches on Passenger Trains

Letter No. R44G|10 *dated 22nd May* 1944 *from Railway Board to Chamber.*

Post-war reconstruction on Railways in regard to the provision and improvements of passenger coaches and amenities at railway stations cannot be satisfactorily planned, till the question as to how many classes will be retained has been settled. The general complaint is that four classes are difficult to operate, and if retained in

the post-war period, some classes are likely to run overcrowded and others partly empty. Funds available for improvements to refreshment rooms, waiting rooms, etc., for four classes could also be used to better advantage, if the existing number of classes was reduced.

2. The Indian Railway Conference Association has received certain suggestions from different Railway Administrations; these, together with discussions of this important question in the press, have been considered by the Railway Board. The general trend of opinion appears to favour retention, with some improvements, of three classes in the post-war period viz., I, II and III, corresponding in equipment, and accommodation to the present II, Inter and III classes, and special air-conditioned coaches to be run on inter-provincial or other important trains which offer traffic for such luxury travel.

3. Individual Railway Administrations have been informed of the above, and have been requested to obtain the opinion of their Local Advisory Committees. The Board would, however, be grateful if the views of your Chamber of Commerce upon this important question can be communicated, as it is considered that in dealing with this subject the Board should be assisted by the opinions of public bodies like yours in formulating the correct policy for the post-war period.

Letter No. 1296 *dated* 29*th June* 1944 *from Chamber to Railway Board.*

I am directed to acknowledge receipt of your letter Reference No. R44G/10 dated the 22nd May 1944 regarding classes of coaches on passenger trains and amenities at railway stations under post-war reconstruction. My Committee appreciate your difficulty regarding the satisfactory planning of the same till the number of classes to be retained in the post-war period is settled. In the second para. of your letter, you refer to certain suggestions received from different railway administrations, as also consideration by the railway board of press opinions in the above matter and come to the conclusion that the consensus of opinion inclines towards retention with some improvements of three classes in the post-war period viz., I, II, III corresponding in equipment and accommodation to the present II, Inter and III classes. Information as contained in your letter under reference regarding the determination of classes and the amenities appears to my Committee to be indefinite and not sufficient enough to enable them to base their views on the subject.

It could be presumed from the letter that the standard of the first class would be lowered to that of the second class. If that is so, my Committee are opposed to such a retrogade suggestion. They would much appreciate a higher standard for all the three classes than what exists at present. Besides, it is not clear as to how the Inter and Third classes would be constructed so far as comforts of the passengers are concerned. Your Board cannot be unaware of the public criticism regarding the plight of the third class passengers. My Committee would be obliged if the proposals of the Board in connection with the amenities and comforts of the third class passengers under post-war reconstruction would be made known to them.

My Committee regret that it would not be possible to express any views on the subject until the full scheme of reconstruction was placed before them. The third class passenger has helped the Railway Administrations, to provide for the facilities of the Second and the First class passengers, by supplementing the large receipts of the railways. They request your Board once again to make public the proposals of Government in regard to the improvements in third class to be undertaken under the post-war reconstruction. They have also to urge that any scheme of post-war reconstruction in connection with the above, as approved by Government, should be first circulated to the Chambers of Commerce as also amongst the public before the same is implemented.

APPENDIX 9

Rounding off of Fares — Shortage of Small Coins

Letter No. 2314D dated 16th November 1944 from Chamber to Traffic Managers, B. B. & C. I. Railway and G. I. P. Railway.

I am directed to refer to the correspondence which my Committee had with you last year on the subject noted above.

In view of the fact that there was shortage in the supply of small coins, the Railway authorities were rounding off of fares to the next higher half-anna. My Committee, however, now feel that there is no justification for continuing the practice, as the supply position of small coins has appreciably improved as revealed from the Report of the Reserve Bank of India for 1943-44. Under the circumstances, my Committee beg to suggest that necessary instruc-

tions be issued to all Railway stations for discontinuing the practice followed so far and not to charge any excess fare.

Letter No. R. 308|15|11|33 dated 4th December 1944 from B. B. & C. I. Railway to Chamber.

In this connection I enclose for your information a copy of a letter from the Reserve Bank of India.

In the circumstances the present practice of rounding off of fares must continue.

Letter No. CY. No. 3919|13A-44 dated 1st December 1944 from the Chief Accountant, the Reserve Bank of India, Central Office, Bombay to the Chief Traffic Manager, B.B. & C.I. Railway, Bombay.

SMALL COIN

With reference to your letter No. R. 308/15/11/32 dated the 16th November 1944, we have to advise that while there has recently been an all round improvement in the general small coin position the shortage of single pice still continues as demand for the coin is in excess of the capacity of the Mints. Every endeavour is being made to increase the outturn and to overcome the scarcity. We consider, therefore, that the railway charges should continue to be rounded off to the nearest half anna until the position as regards this coin has eased.

APPENDIX 10

Increase in Bus and Tram Accidents

Letter No. 1266 dated 27th June 1944 from Chamber to Home Department, Government of Bombay.

The Bombay Electric Supply & Tramways Co., Ltd., have drawn the attention of my Committee to the abnormal increase in the tram and bus accidents as a result of rash and careless driving of military vehicles. The position as placed before the Committee by the B. E. S. & T. Co. is grave and serious in respect of the traffic situation in the City which demands immediate and careful attention of Government and the transport authorities concerned. As given to understand by the Company, there occurred 166 tram and bus accidents between 15th April and 18th June 1944. If the above figure is correct—and there is no reason to doubt the authenticity—it is a serious pointer indicating a deteriorating traffic condi-

tion to which the public are falling a prey. Government cannot be unaware of other provinces also facing the same situation arising out of the irresponsible and reckless driving of military drivers. Sometime back, Calcutta faced this menace in a serious form. Madras Government also had to take serious steps with regard to increasing accidents caused by military vehicles. If the situation in this City is left unattended and hog driving is allowed to have its way, more serious consequences are likely to be felt in the Bombay City as the situation with regard to transport in the City is already grave on account of the extraordinary increase in the population. The Company has complained that the military vehicles driven in the City are accustomed now to cutting and overtaking and the drivers controlling such vehicles do not realise that the trams travel on a fixed track. The tragedy of the whole case is that even the elementary traffic rules are more or less observed in their breach. The result of all this reckless performance on the city roads by the military drivers has set a heavy strain on the bus and tram traffic. Every accident, either to the tram or to the bus, puts out of commission the vehicle damaged. The period under which repairs are carried out for such damaged vehicles entails a loss in the traffic service which such vehicles perform. As an instance in point, recently a military lorry dashed into the rear of a bus on the Marine Drive, resulting in loss of life and considerable damage to the vehicle. The bus would be put out of commission for nearly 60 days during which period the bus could have carried 60,000 passengers. The question of repairs has also become difficult as spare parts are not easily obtainable.

From the above, it is clear that if Government, military authorities and the transport authorities get together and make a serious attempt to grapple the menace that the military drivers have become to the easy flow of traffic in a busy city like Bombay, then only the traffic muddle might be solved to an appreciable extent. My Committee seriously beg to urge that Government will take immediate steps to meet the present grave traffic condition resulting from the reckless and irresponsible handling of military vehicles.

Letter No. P.261|9260-D dated 6th July 1944 from Home Department to Chamber.

I am directed to refer to your letter No. 1266, dated the 27th June 1944, requesting that immediate steps to be taken by Government to control the growing menace of bus and tram accidents

in the City due to reckless driving of military vehicles, and to state that the matter is receiving the serious attention of Government and the military authorities concerned. The Chamber may rest assured that all possible steps will be taken to reduce the number of accidents.

APPENDIX II

Difficulties re: Manufacture and Marketing of Tooth Paste in India

Letter No. 40 dated 6th January 1944 from Chamber to Commerce Department, Government of India.

The attention of the Committee of this Chamber has been drawn by Messrs. Maganbhai Amin & Co., manufacturers of Kopran tooth-pastes to the difficulties they are experiencing in securing supplies of essential chemicals and other materials for the production of tooth-paste. The oil geranium which used to sell at Rs. 8 in 1939, now costs Rs. 150 per lb. Collapsible tubes used to cost at As. 13 to 15 per dozen in 1939 and now they have to pay over Rs. 2-8 per dozen for inferior qualities, and even with regard to this only restricted quantities are allowed. Notwithstanding all these difficulties during the present abnormal period, they have tried to keep the price for their finished product at Rs. 1-7 per tube (medium). During the last two or three years, prices of foreign tooth-pastes began to go up from anything like Rs. 2 to 4 per tube. My Committee are informed that recently fairly big quantities of some of the foreign tooth-pastes have come on the market. This has put the local manufacturers to a double disadvantage. On the one hand, these big imports of foreign tooth-pastes will now be coming, and on the other they themselves are not able to get permits and Licences for importing the essential articles required by them from foreign countries. From the month of October 1942 till now, the Central Government at Delhi practically refused all their requests to grant them import licences for their requirements of collapsible tubes, chemicals and other essential materials from the United Kingdom. My Committee, therefore, request that the Government of India will be pleased to give the indigenous industry necessary import permits for all such articles in order that they may be atleast enabled to manufacture their tooth-pastes and to stand in competition against the foreign imports.

Letter No. 166A dated 22nd January 1944 from Chamber to Commerce Department, Government of India.

I am directed to refer to this office letter No. 40 dated the 6th January 1944, in connection with the difficulties experienced by Messrs. Maganbhai Amin & Co., manufacturers of Kopran Tooth-Paste, in securing supplies of essential chemicals and other materials for the production of tooth-pastes. Further to this Messrs. Maganbhai Amin & Co., have represented to my Committee that their application for import of collapsible tubes has been refused by the Deputy Director of Metals (Non-Ferrous). This refusal to grant the necessary permit is causing great hardship to the manufacturers as tooth-paste manufactured by them cannot be marketed without securing collapsible tubes.

In this connection Messrs. Maganbhai Amin & Co., had asked for quotations for the supply of collapsible tubes from Messrs. Betts & Co., London, who in reply informed them that as export licence could not be obtained, they were not in a position to quote. My Committee have been informed in this connection that a large consignment of Maclean's Tooth-Paste has arrived in Bombay. My Committee fail to understand why finished tooth-paste is allowed to be exported from U. K. while export of empty collapsible tubes is prohibited.

My Committee, under the circumstances, urge that if export of tooth-paste is allowed, provision for the export of empty collapsible tubes should also be permitted under quantities which would not interfere with the needs of the United Kingdom. It is hoped that due consideration will be given to the request of the Indian manufacturer for import permit as also steps will be taken to persuade the authorities in U. K. to grant the necessary export for empty collapsible tubes.

Letter No. 31-I.-D. 20|43 dated 19th February 1944 from Industries and Civil Supplies Department to Chamber.

I am directed to acknowledge the receipt of your letters Nos. 40 and 166 dated the 6th January 1944 and 22nd January 1944 and to request that Messrs. Maganbhai & Co. may please be advised to furnish this Department information on the following points. It is required in connection with investigating the possibility of arranging supply of collapsible lead tubes needed by tooth-paste manufacturers in India.

(1) Quantity of tooth-paste (and tooth powders, if any) manufactured during 1943.

(2) Quantity of above likely to be manufactured during 1944.

(3) Approximate number of collapsible lead tubes required during 1944.

(4) Source of supply of such tubes during 1943 and the number of tubes utilised annually since 1939.

(5) Arrangements, if any, made for supply of tubes required in 1944.

(6) Possibility of switching over available production capacity for manufacture of tooth paste to tooth powder instead.

II.—FINANCE, TARIFF AND TAXATION

APPENDIX 12

Budget of the Government of India, 1944-45

Telegram dated 1st March 1944 from Chamber to Finance Department, Government of India.

The Budget statement of the Honourable Finance Member for 1944-45 is dominated by the enormous increase in expenditure on defence and consequent widening of the gulf between revenue and expenditure. From a basic normal budget of rupees 36.77 crores expenditure on defence has increased to over rupees 801 crores including certain items which are sought to be taken into capital account. Thus expenditure has increased roughly by over eight times the basis figure. The total expenditure on defence since commencement of the war would amount to rupees 1,068 crores. There has also been a progressive increase in civil expenditure from rupees 37.5 crores in 1939/40 to rupees 86.57 crores in 1944/45. Against the background of this colossal increased expenditure the claim of the Finance Member that the existing agreement between the Government of India and His Majesty's Government regarding the allocation of defence expenditure is fair and reasonable cannot be sustained. The agreement is neither fair nor reasonable and Committee Indian Merchants' Chamber therefore urge that early steps

be taken to reconsider and resettle the arrangement in the interests of India. While recognising the need for concerting measures for checking the inflationary position the Finance Member is merely evading the issue by referring to various palliative measures which Government have taken or propose to take and omitting to tackle the problem at its root. The largest contributory factor in the creation of inflationary conditions is the obligation imposed upon India for finding the rupee finance for Allied war operations and purchases in this country. This has led to the issue of rupee currency against sterling in London thereby creating a highly artificial set of conditions in the monetary and currency spheres here. Unless therefore a more satisfactory method of financing the Allied Governments' war requirements in the country is evolved the problem of inflation cannot be expected to be dealt with fairly and squarely. Committee suggest that production of consumers' goods should be encouraged in this country and that imports should be allowed only of necessary raw materials and capital goods instead of finished consumers' goods. Committee greatly deplore the proposed increase in the central surcharges on income-tax, super-tax and corporation tax. While appreciating the raising of exemption limit to rupees two thousand Committee suggest that the exemption limit should be further raised to rupees three thousand having regard specially to the present high cost of living. The increase in the quantum of deposits under E. P. T. will greatly harm joint-stock enterprise and this combined with provision for payment of corporation tax at a higher rate on amounts distributed as dividends will be a great blow to industries by making the capital shy in investing in industrial enterprise. The concession of one anna rebate in corporation tax will not be available to companies in which the public are not substantially interested as they are compelled to distribute sixty per cent of their assessable income. Committee suggest as in the case of dividends on preference shares the exemption should be extended to amounts distributed as dividends to ordinary shareholders at rates not exceeding the average of the last three years. Committee are deeply perturbed at the suggestion of the Finance Member of introducing a method of taxation entirely foreign to this country namely the Death Duties. This proposal ignores the social conditions of the country. Conditions in India are entirely different from those prevalent in western countries. Hindus and Mahomedans who form the major communities in the country are exempt from paying

succession duties under certain circumstances. The introduction of such death duties here will mean a great disruption of the fundamental concept of the Hindu joint family. Committee cannot offer further comments in absence of details of the scheme. While welcoming the principle of fixing a tax ceiling for Life Insurance Companies Committee feel that the rate proposed namely, sixty-three pies is too high. They suggest that in view of the fact that interest yields on life insurance funds at present are very low it is vitally necessary that the ceiling rate should be reduced to 45½ pies. The payment in advance of income-tax and super-tax by quarterly instalments should not be made compulsory. Committee strongly protest against imposition of Excise Duties on tea, coffee, betelnuts which are some of the rare amenities of life enjoyed by the poorer classes they are also opposed to the increase in the Excise Duty on tobacco which is not a luxury but which has practically become a necessity of life for both the rich and the poor. They suggest that such an indirect tax on the poor and middle classes should be withdrawn. Regarding sales of gold Committee suggest that the advantage of the comparatively higher prices at which the sales are effected in the country should accrue to the Government of India instead of His Majesty's Government or the American Government. While welcoming the creation of a Dollar Fund Committee fail to understand why only a part and not the whole of the dollar resources accruing from India's exports should be made available for this fund.

Telegram dated 9th March 1944 from Chamber to Finance Department, Government of India.

Committee Indian Merchants' Chamber have considered the Finance Bill and Bill to amend Indian Income-tax Act and while reiterating their opposition to increases in taxation and changes embodied in the provisions thereof would particularly urge the following modifications as being essential. Regarding sub-clause 3 (a) of clause 8 of the Finance Bill Committee urge that the provision for increase of compulsory deposit from one-fifth to 19/64 should be reduced to at least 15/64 so that assessees will have left in their hands the same amount of profits available for distribution as in the standard period. Committee are also strongly opposed to the provision in clause 8 (*a*) that money borrowed for payment income-tax, super-tax or Excess Profits Tax would not be treated as part of capital employed in the business they therefore urge that same should be taken into capital computation. Committee strongly opposed to

the increase in the Corporation Tax from two annas to three annas and urge that in any event the rebate should be extended to amounts distributed as dividend to ordinary shareholders at rates not exceeding the average of the last three years as otherwise the increase will most adversely affect public utility concerns and banking companies who have not declared higher dividends as a result of war. Regarding clause 4 of Income-tax Bill amount allowable as premium under Section Fifteen of the Act should at least be to the extent of ten per cent of capital sum assured instead of seven per cent proposed. Further the six thousand rupees limit of allowable premium should having regard to present conditions be increased to rupees ten thousand. Regarding provision in clause 5 for quarterly advance payments of income-tax and super-tax Committee strongly feel that procedure proposed will cause great hardship to several assessees particularly individuals and firms and put severe strain on the collecting machinery of the department. If advance payments collected, making and completing of regular assessments will be considerably delayed and in many cases assessees will be required to make advance payments as also payments on account of past assessment. Committee therefore suggest that instead an assessee be required without any notice of demand to pay within one month of the close of assessment year amount of income-tax and super-tax either on the basis of his total income of his latest previous year on which he has been assessed or on the basis of his own estimate.

APPENDIX 13

Railway Budget, 1944-45

Telegram dated 17th February 1944 from Chamber to Railway Department, Government of India.

"Committee Indian Merchants' Chamber have considered the speech made by the Hon'ble Member for War Transport while presenting the Railway Budget for 1944/45 in the Central Legislature. The policy of under-estimating the revenues and the consequent swelling of the surpluses not only continues but has now also become the marked feature of these Annual Railway Budgets. With an addition of the expected surplus of Rs. 43.77 crores for 1943/44, the total amount of the surpluses from the outbreak of the war has exceeded Rs. 139 crores, contributing over Rs. 89 crores to the General Revenues. This will be further swelled by the expected

surplus of Rs. 52.21 crores in 1944/45 with a further contribution of over Rs. 81 crores to the General Revenues alone. With these huge and growing surpluses year after year Committee are of the opinion that there could not be the slightest justification for imposing a levy of 25 per cent on the poor man's resources for travel but they are also constrained to observe that with the progressively diminishing facilities, conveniences and amenities for travel and with the increasing curtailment of services and the rising overcrowding with untold discomforts and harassment and humiliation to which the travelling public is subjected the proposal to increase fares by 25 per cent constitutes a grave scandal and glaringly exhibits how oppressively unmindful of the needs and woes of the travelling people of this country the proposal is. This addition to the passenger fares will affect very seriously and adversely not only the general public but also workers, agriculturists, etc., who are least able to bear it and Committee are convinced that this is a veiled form of undesirable indirect taxation and have no doubt that the innocent looking inducement offered by the War Transport Member that the additional earnings due to the increasing fares would be utilised in the future for providing amenities for the third class passengers will satisfy none. Committee lodge their strong protest against it and feel that had Government of India really cared to alleviate the miseries and hardships of Third Class Passengers they would have utilised reasonable sums cut of their huge surpluses during the past four years for improving their lot and would have also earmarked decent sums out of the existing and future surpluses for providing such facilities as would enable them to travel under human conditions. Committee cannot further help observing that the justification advanced by the Hon'ble Member that the increase in fares would stop the tendency of inflation would only go to make Government themselves profiteers instead of the protectors of the travelling public which is their proper role. With the adoption of the policy of exporting large quantities of rail and large number of wagons and locomotives out of India depriving the country thereby of its essential needs during the war and without putting forth vigorous measures for taking all necessary steps for the construction of locomotives and wagons in this country for which the Indian public has been urging for years past the present proposal outlined in the speech of importing 320 locomotives and 4,850 wagons during current year and 572 locomotives and over 15,000 wagons in the coming year might

help to relieve to some extent the present difficult situation and prevent it from deteriorating further, but Committee are very much afraid that all this might lead to sounding the death-knell of the professed desire of the Member that the Government would implement their decision to construct locomotives in India. Committee therefore most earnestly request the Government of India not only to drop their present proposal to increase passenger fares by 25 per cent but they would also ask them to earmark out of existing surpluses such sums as are essential for providing amenities and comforts for the Third Class passengers. Committee would also most strongly urge that if shipping space could be found for imports of large numbers of locomotives and wagons Government should import forthwith all the plant and machinery and spares that might be necessary for putting the industry for building locomotives and wagons in this country on its feet and develop it in a manner which might meet the growing requirements of this country."

APPENDIX 14

Interview with Members of the Central Board of Revenue

Memorandum on the points for discussion with Sir John Sheehy, C.S.I., I.C.S., Member, Central Board of Revenue and Mr. C. W. Ayers, C.I.E., Excess Profits Tax Advisor to the Board at the meeting of the Income-Tax Sub-Committee of the Indian Merchants' Chamber on Wednesday, the 30th August 1944 at 12 noon.

I—General

1. *Taxation policy and industries:*

As the post-war industrial development of India has been receiving serious and anxious consideration throughout the country you will, we are sure, welcome a few observations, at the very start, on the present policy of taxation and its effect on Indian industries. War has increased the expenditure of the country. New taxes have been imposed to meet this growing expenditure. It is, however, significant that about two-thirds of the tax revenue has been raised from direct taxation. While the total amount of revenue raised by taxation was about Rs. 75 crores in 1938-39, the sum gathered from direct taxation stood at Rs. 17.3 crores. In 1944-45, however, the total revenue to be raised by taxation has been shown at Rs. 261 crores in the budget and the sum estimated as revenue

from direct taxation is budgetted at Rs. 182 crores. The yield from direct taxation has, therefore, increased from 23 per cent to 69 per cent. This steep increase from 23 per cent to 69 per cent in an industrially backward country like India in a short period of five years is in singular contrast to the moderate rise in the scale of direct taxation from 55 per cent. to 65 per cent even in a country like the United Kingdom which has reached the highest stage of industrial development and efficiency. It is not, therefore, difficult to visualise how such a steep rise has been imposing an unbearable burden, both on the present and the future industrial development of this country. We need not add that the present policy of direct taxation makes it, therefore, impossible for Indian industries to make adequate provision for re-equipment, rehabilitation and reconstruction in the post-war period.

The urgent need to maintain production to meet the immediate requirements of the war has made it imperative on the industrialists to work their machinery and plant without stoppage and without proper repairs. It is, therefore, apparent that they will have to be replaced long before their normal period of life has been run. Their replacement alone will require far larger sums of money—in several cases two or three times more—than the amount allowed for depreciation under the Income-tax Act. Such replacement does not take into account further sums that will be urgently needed to bring such assets up to modern standards. The Depreciation Fund will, therefore, in many cases, be only half and in several cases will only be one-third or even less than the amount required for the replacement of the assets. It has, therefore, been an anxious problem for the industrialist how to find money for the replacement of their assets, not to say anything about bringing them up to modern standard. Is he to increase his Capital or is he to borrow fresh sums of money for financing the replacement of the original assets? It will be admitted that such a programme will be suicidal for the industry and will militate against all cannons of sound finance. Industrial expansion has taken place in England to a very large extent out of the profits earned by industries. We can, therefore, leave it to you to imagine what the fate of the Indian industries will be as regards expansion and how far their staying power and competitive strength would be weakened, when they would not have sufficient funds even to replace their assets. It will, therefore, be recognised that until the policy of the Government of India taxing

industries is fundamentally changed, there is no hope for Indian industries to maintain their position in the post-war period.

It is argued that those who serve the war must be properly financed. That is how the Government justify their taking their toll from the profits of the industries for financing the war. The Government, however, conveniently forget that it is the service rendered by industries which has shortened the life of machinery and plant and it is the conditions created by the war which necessitates the payment of a far larger amount for their replacement. Justice, therefore, requires that sufficient amount of profit must be retained in the hands of the industrialists, to enable them to meet the large cost of replacement and modernisation. They should not be penalised for their services during the war. We are aware that a small percentage of the excess profits tax paid, namely 6.2/3rds, subject to income-tax and corporation tax, will be made available to the industries after the war. While we are thankful for this small mercy, we cannot help observing that such a return will not even touch the fringe of this vital problem. Moreover, industries are not allowed to carry out proper repairs during the war and consequently profits are artificially inflated. Industries have to pay income-tax and corporation tax at present high rates on such inflated profits. While it will be difficult for them to find money for this purpose after the war, payment of taxes at high rates on inflated profits are bound to cripple further their meagre resources. We, however, do not know whether these vital questions have been receiving the active consideration of the Government of India and whether they have formulated any definite policy of bringing the much-needed relief and giving the required assistance to Indian industries in this matter.

While our Government have, therefore, been keeping us in anxious suspense in these vital matters, it is significant to learn that the Government of the United Kingdom have been fully conscious of their obligations to their industries in this connection. The Chancellor of the Exchequer thought that even the British industries with their powerful resources needed assistance at this juncture and therefore announced a few weeks ago sever changes in the policy of direct taxation. The most important was the proposal of a special initial allowance of 20 per cent of the cost of new plant and machinery to be written off forthwith against the profits of the years concerned. Certain other concessions were given in regard to the

allowance of expenditure on royalties, patents, scientific research, etc. It is obvious that the needs and requirements of Indian industries with their meagre resources are far greater than those of British industries. It is, therefore, essential that substantial sums should be repaid to Indian industries out of taxes gathered from them or adequate financial help should be given to them in any other equitable manner, to enable them to carry out their programme of replacement, re-equipment and reconstruction during the post-war period. We would, therefore, submit that the Government of India should be pleased to view this question not only in the light of the immediate and urgent needs of Indian industries but also from the viewpoint of a long-range policy and announce what policy they propose to adopt in regard to taxation and what reliefs and help they propose to give to Indian industries, so that they can look ahead with confidence. We realise that decisions on such matters of taxation policy primarily rest with the Honourable the Finance Member and his colleagues of the Executive Council, but you will appreciate the anxiety of the commercial and industrial community in this connection which has led us to place them before you in the hope that you will be pleased to convey these suggestions and observations for their kind consideration with such recommendations from you as might enable them to announce before the next financial year their revised policy of taxing industries and of giving them such relief and assistance as they badly need.

2. *Concessions to assessees who suffered by the recent explosions and the consequent fires resulting therefrom in Bombay* :

The explosion and the consequent fires which occurred in Bombay in April last have been responsible for heavy losses which people have sustained and serious disorganisation in business caused in the city and elsewhere. In our representation to the Central Board of Revenue, we drew their attention to the difficulties with which the assessees were faced as a result of this tragedy. We are glad to state that the Board has been good enough to accept some of our suggestions. There are still one or two outstanding points remaining unsolved, to which we would like to invite your careful consideration. Government have agreed that the hearing of the pending cases should be postponed till the end of August or till compensation has been paid, whichever is earlier. You are aware, Sir, that the Compensation Ordinance was promulgated only recently and it is obvious that the formalities concerned with the payment

of claims would, therefore, necessarily take some further time. We have, therefore, suggested that the postponement referred to above should continue until the actual payment of compensation is made or till the end of December 1944 whichever is late.

As regards the request that no advance payment of tax under Section 18A should be made at present, Government have agreed that no demand for such payment will be issued in respect of the first quarter. In view of the severe financial difficulties caused by the recent explosion, it is but fair that no demand for advance payment under Section 18A should be asked for till the compensation has been actually paid or till the end of December 1944 whichever is later.

It is well-known that merchants and commercial houses carrying on their business in the affected area have lost almost all their records including account books. It will, therefore, be obvious that they will find it extremely difficult to submit all the necessary evidence to the Income-tax Officers at the time of assessment and during the subsequent proceedings. If the rules regarding substantiation by supporting papers and other documents are strictly and technically enforced, many assessees will find it impossible to comply with such requirements. In view of these peculiar circumstances, it is essential that they may be called upon to give such indirect evidence as it may be possible to procure or in extreme cases the Income-tax Officer should accept the statement of the assessees based on an affidavit or affirmation. We are sure you will agree with us that the assessees deserve this special treatment and indulgence in view of circumstances which are beyond their control and we have, therefore, to request you to issue such instructions to the authorities concerned as would meet fully the requirements of the situation. In this connection, we have also to request you to agree that those assessees, who have not been able to return their forms, owing to difficulties mentioned herein, should be given the time to do so till the 31st December 1944.

II—Income-Tax

8. *Section 4—Assessment of amounts received or brought over from Overseas countries* :

You are aware, Sir, that the recovery of tax on amounts received or brought over from overseas countries, before they became enemy-occupied territories, has been postponed till the end of the war by

the Notification No. 14 of 1942, issued by your Department. This Chamber has, however, sent its protest to the Central Board of Revenue against the principle on which such amounts are to be assessed. Amounts received or brought over from overseas countries, before they were occupied by enemies, should not be treated as income. In all fairness they form the capital of the evacuees who had to return from those lands. Decision to defer the recovery of tax on such amounts to a date after the termination of the war is neither fair nor equitable, because such amounts could not be construed as income. They were either received on behalf of the assessees or brought over by the assessees, as the assessees had to leave the countries under circumstances of war and they could only take such of their capital as it was possible for them to take.

May I, in this connection, draw your attention to the injustice of subjecting remittances received in British India to income-tax remittances received by those who were " resident' but not ordinarily resident in India ". Amounts thus remitted were the savings out of profits earned by these assessees during the period of non-residency in British India. I am given to understand that tax on such remittances is recovered under Section 4 (1)(b)(iii). You will realise, Sir, that the said amounts brought into British India were earned by the assessees, when they were outside India and they, therefore, cannot be subjected to tax. Will you be good enough to look into the matter and issue such instructions as are necessary to meet the situation mentioned by me?

4. *Section* 4(1)(*b*)(*ii*)—*Taxation of foreign profits* :

While Section 4(1)(b)(ii) provides for the assessment of income earned abroad, Section 4(1)(b)(iii) provides for the assessment of the same income when brought into or received into British India. This section does not make a specific mention for exempting the income which has already been taxed since 1939. We have, in this connection, to point out to you that it will then become a case of double taxation. It will be agreed that double taxation, unless specifically provided in the statute, will be *ultra vires* of the Act. We shall, therefore, thank you to let us know what the correct position is.

5. *Section* 24(2) *set off of losses—Interpretation of the term* " *Same Business* " :

We had occasion to discuss this point last year. We have, however, been receiving complaints that the words " same business " in the Section are not construed by the Department in a fair and

equitable manner. It has been brought to our notice that in the case of an assessee carrying on business in different trades, losses incurred in a particular trade are not being allowed to be set off against profits in subsequent years, if such profits did not accrue exclusively from that same branch of activity. It is not unusual that a merchant may have trade activities in different directions and may even for purposes of administrative finance maintain different offices for different trades. The real test should be to find out how these activities are being controlled and managed and to ascertain whether all the different activities are co-ordinated and centralised in the final accounts maintained by the assessee. You were good enough to tell us last year that a store consisting of various departments dealing with different commodities should be treated as one business, because there was the same control and the same management. That is the test and consequently it is but fair that the business of assessee dealing in different commodities, whether forward or ready, with one central control and management must be treated as same business. We have, therefore, to request you that instructions may be issued to the officers concerned for taking a more realistic view of the state of affairs obtaining in the world of business and to interpret the term " same business " in such a fair and equitable manner as may do full justice to the assessees carrying on such activities as mentioned above.

6. *Section 34—Provision for relief in over-assessment* :

Under Section 34, the Income-tax Department is entitled to open assessments already made upto 4 years in ordinary cases and upto 8 years in case of fraud. As you are aware, the latitude given to the Department in cases of under-assessments is far wider than what the assessees could claim for the correction of over-assessments. My Chamber has already made representation to your Department drawing its attention to the necessity of amending the Act, whereby the assessees may be given the same amount of latitude that the Department has in this matter. Your Department has stated that no change is necessary and has justified its statement on the ground that Sections 33A and 35 provide adequate safeguards to the assessees for rectification of mistakes. I have, however, to point out to you that the safeguards referred to in those Sections are hedged in by a number of restrictions which debar the assessees from claiming refund or correction of assessments already made. As the law stands today, as assessee is not entitled to adduce further evidence.

This causes considerable hardship, particularly to those firms who have got several branches. It is, therefore, necessary that the assessee should have the right to adduce further evidence in case of an over-assessment just as the Income-tax Officer has the right to go back four or eight years, in case of under-assessment.

7. *Section 42(i)—Tax on income accruing to non-resident through transactions in British India:*

Under Section 42(i) income accruing to non-residents on account of transactions in British India is subject to tax. We are given to understand, in this connection, that under Section 42(i) non-resident depositors in Indian State Banks are subjected to British taxation on the ground that some of these funds may have been utilised in purchasing the Banks' investments in British India. A question can be justifiably raised whether it is feasible to determine the exact amount of the funds deposited by a particular depositor which were utilised in purchasing Banks' investments in British India. But, granting that it is possible to determine such an amount, recovery of such a tax would be *ultra vires* of the Government of India Act, as the application of the Section under the circumstance would be extra territorial in effect.

8. *Section 42—Commission Agents and purchases for non-residents: liability to tax:*

Under Section 42, all income, profits or gains accruing or arising from transactions in British India made by a non-resident, are chargeable to tax either in the name of the resident or in the name of his agent. In this connection, this Chamber has already drawn the attention of the Central Board to the practice of the Department sending assessment notices to merchants making purchases on behalf of the non-resident. This action of the Department cannot be upheld under this Section. Mere purchases on behalf of the non-resident cannot entitle the Department to make a case for assessment chargeable to the merchants making such purchases. Such purchases are part transactions which become complete only when adjusted by corresponding sales, thus showing profit or loss on the said transactions. Under the circumstances, assessment notices sent to merchants making more purchases on behalf of the non-resident are unjustifiable and cannot, in any sense, be covered under Section 42. We, therefore, request the Central Board of Revenue again to issue instructions putting a stop to the practice of sending such assessment notices. I am also

given to understand that, in this connection, the Income-tax Department has started assessment proceedings in such cases. If that is so, it is urgently requested that the same should be withdrawn.

III—E. P. T.

9. *Section 6—Minimum Standard:*

We understand that in the United Kingdom all standards except the profit standard were increased by £1,000 as from 1st April of the current year. This increase will apply to the cases whether standard is a minimum standard or the personal working proprietors standard or a standard representing percentage on capital employed in the business. The Chancellor remarked that this concession will benefit no less than 30,000 small businesses, 10,000 of which will pass out of the jurisdiction of the Excess Profits Tax. In view of the peculiar conditions obtaining in this country, it is essential that a larger relief should be given to the businesses in India. At any rate, Indian business is entitled to the same relief as has been given in the United Kingdom. Moreover, the minimum standard is not as elastic as it is in the United Kingdom because that standard varies for a business in the United Kingdom according to the number of partners forming the business which is not the case in this country. Small businesses and industries are, therefore, for reasons which are obvious more in need of relief and assistance in India than elsewhere and we, therefore, submit that as a first step following the British precedent, the minimum standard here should be increased from Rs. 36,000 to atleast Rs. 48,000. It is also essential that this minimum standard should be made optional as it is in the United Kingdom.

10. *Section 9—Subsidiary Companies:*

Under Section 9 subsidiary companies do not hold any status as separate entities for purposes of computation of capital, etc. Accordingly the capital of a subsidiary company is treated as capital employed by the principal company. As a result of such joint existence of the subsidiary and the principal companies, any subsidiary company formed after 1st July 1938 is at a disadvantage so far as the E. P. T. is concerned in respect of percentage it is entitled to in case of increase in capital employed. If the principal company is entitled to 8 per cent in respect of increases in capital employed, the same percentage would be made applicable to the capital of the subsidiary company, which you will agree, is a hardship. It is

suggested, with a view to give relief to such companies in such circumstances, that the statutory percentage of 10 per cent or 12 per cent for a Director Controlled Company allowed to a company formed on or after 1st July 1938, be extended to subsidiary companies formed after 1st July 1938. Preferably still, such subsidiary companies in the first instance may be treated on par with other companies and separately assessed for arriving at a fair assessment basis. For final assessment only, they may be held as joint with their principal companies. Our request really, therefore, is this that you should agree to give Indian assessees the same benefits in this connection as are obtainable by the British assessees under the United Kingdom Act.

11. *Schedule I, Rule 5A—Borrowed Capital*:

In response to the representations made by this Chamber and other organisations, the above Rule was added by the amending Act of 1941, so as to treat all borrowed moneys as capital both as regards the Standard Period as well as the Chargeable Accounting Period. This was the right step to take and it was quite necessary in the interests of industries and business. It has been brought to our notice that in certain cases, this Rule has prejudicially affected the case of some assessees. Our request is that in such cases the Central Board of Revenue may treat them as special cases and give such relief as may be considered fair and equitable.

Summary of the replies given by Sir John Sheehy, C.S.I., I.C.S., *Member, Central Board of Revenue, and Mr. C. W. Ayers*, C.I.E., *Excess Profits Tax Advisor to the Board at the meeting of the Income-tax Sub-Committee of the Indian Merchants' Chamber on 30th August* 1944.

1. *Taxation Policy and Industries*:

Sir John Sheehy observed in reply that decisions on such matters of financial policy rested primarily, as the Committee had rightly anticipated, with the Hon'ble the Finance Member. As a general practice, the Central Board of Revenue was always sympathetically inclined towards any suggestions for extending concessions or special reliefs which had been made available under the taxation laws and procedure in the U. K. Similarly, here also the question of giving some of the reliefs referred to by the Chamber in its memorandum might be expected to be considered sympathetically by the

Board in due course. He, however, pointed out that the 20 per cent initial allowance of the new plant and machinery now being allowed in the U. K. was not much of a concession, as it merely meant pushing forward depreciation. The assessee would ultimately get nothing more than 100 per cent.

In the course of the supplementary discussion which followed, Mr. M. A. Master, Vice-President of the Chamber, pointed out that the Chamber had not merely asked for the introduction of the 20 per cent allowance and other minor concessions granted in the U. K.; in fact, what they wanted was that having regard to the fact that large amounts had been collected from industries by way of taxes, Government should, in the post-war period, refund to them substantial amounts from these tax collections in order to enable industries to put through programmes of replacement, renovation and reconstruction without any undue strain on their capital resources. Mr. Master referred, in this connection, to the substantial refunds given to industries after the last war in the U. K. from the amounts paid as the Excess Profits Duty.

Sir John Sheehy suggested that the Chamber might submit a detailed representation of their views in this regard to Government and the same would, no doubt, receive due consideration.

2. *Concessions to assessees who suffered by the recent Explosions and the consequent fires resulting therefrom in Bombay* :

Although he was not prepared to go to the extent suggested by the Committee, he would agree to issue the following revised instructions in regard to this matter :—

(1) Hearing of pending cases would be postponed until the end of December 1944 or until compensation was paid, whichever was earlier.

(2) Suspension of advance payment of tax under Sec. 18A.

Sir John pointed out that these payments were in respect of profits for the current year. If the profits were less than those in the previous periods, the instalments could also be correspondingly reduced. He was, however, prepared to agree that no demands should be issued in the case of assessees who had suffered by the accident till the end of December 1944, if compensation was not received before that date.

In regard to the suggestion for relaxation of the procedure and rules in regard to submission of evidence, the matter would have to

be decided having regard to the circumstances of such individual case. No general instructions seemed feasible. If, however, any grievance on this score was brought to the notice of the Chamber, the details of the same might well be forwarded to the Commissioner for being looked into.

3. *Section 4—Assessment of amounts received or brought over from Overseas countries* :

Sir John observed that this was mainly a question involving the interpretation of law. If the amount concerned was really income, it was certainly taxable, if it was capital, it was not taxable under law. For this purpose, accumulations of past income would ordinarily be deemed to be income and not capital. It was possible to issue any general instructions because the point would have to be decided on the facts of each case. If the problem was really big involving a large number of assessees, the Chamber might examine the matter in detail and submit their definite proposal. If any specific case of actual grievance resulting from the existing procedure was brought before the Chamber, the Board would be prepared to look into the same if details were submitted to them. Mr. Master referred to the circumstances under which evacuees, particularly from Burma, had come to India. Capital brought by them was in certain cases treated as income. Sir John advised the Chamber to submit a representation on that question.

4. *Section 4(1)(b)(ii)—Taxation of foreign profits* :

The general rule that the same income should not be taxed twice was being strictly followed in regard to the administration of the Income-tax Act of the country and there was no reason to fear that income once taxed would again be made liable to tax under circumstances referred to in the memorandum. This matter was examined at the time of the Income-tax Amending Bill, 1939, and it was felt that it would be superfluous to have a specific provision in the Act preventing double taxation of the same income. In reply to a suggestion during the course of the supplementary discussion that the Income-tax Appellate Tribunal, in the absence of such a specific provision, might not be inclined to take notice of the implied immunity from double taxation and might, if any case was taken before it, decide against the assessee. Sir John observed that if there was any development of that kind, the Department would itself take the matter to the High Court and get the point cleared beyond doubt.

5. *Section 24(2) Set off of losses—Interpretation of the term "Same Business"*:

He recalled the circumstances under which the provisions for carry forward of losses was introduced. It was intended to apply this relief by stages and that was the reason why it was thought necessary to confine the relief to profits from the "same business" as embodied in that section. The question was of interpreting the existing provision of law with reference to the particular acts of a case and if any assessee felt aggrieved about the decision either of the Department or of the Appellate Tribunal, the proper course was for the matter being pressed into a final decision by the High Court.

In the course of the supplementary discussion, Sir John Sheehy pointed out that in the case of a speculator having dealings in several markets, it would not be proper to say that the person was carrying on a separate business in each market.

Mr. Ayres, who was consulted on the point in regard to the practice in the U. K. under the corresponding provision of the English Act, confirmed that the Inland Board of Revenue in England also did not treat operations on several markets as separate business unless the facts were such as to constitute a separate or distinct business in respect of each such market.

Sir John Sheehy suggested, that if, in the opinion of the Chamber, the provision in the section had been applied in a vexatious manner in any specific case. the facts of the same might be brought to the notice of the Board and the matter would be looked into.

6. *Section 34—Provision for relief in over-assessment*:

Sir John said that he was unable to agree that there was any necessity for a separate provision in the Act as suggested by the Committee. The existing rights of appeal under the law met the requirements of the situation. Incidentally he mentioned that the Department had no right under the section to appeal; they could only reopen; fresh evidence could be produced before the Appellate Assistant Commissioner. There should be some finality in such matters and it would not be desirable, in the interests of the efficient and smooth functioning of the administration of the Act, to allow assessments being reopened indefinitely.

7. *Section 42(1)—Tax on income accruing to non-resident through transactions in British India*:

There was no question of the income, under the circumstances

of the kind referred to by the Committee, being made liable to tax. The inspecting Assistant Commissioner was, under normal procedure, entitled to advise the Income-tax Officers on such points of procedure and application.

8. *Section 42—Commission Agents and purchases for non-residents : Liability to tax—*

Sir John mentioned that instructions had been issued to the effect that in the case of mere purchases on behalf of non-residents, where no regular buying agency was established, no assessments should be made.

Cases had, however, come to the notice of the Department where foreign buyers had regular servants or employees acting as so-called agents for making purchases in British India. He felt that there was no case for exempting such transactions from liability to tax.

If any case of grievance regarding the application of the section came before the Chamber, the facts of the same might be furnished to the Commissioner for being looked into.

9. *Section 6—Minimum Standard (E.P.T.)* :

Mr. Ayers replied mainly to the E.P.T. points. Mr. Ayers observed that it was a matter for legislation, but, in his opinion, there was no case for any such revision. The minimum had been raised in the U. K., but circumstances were not exactly similar here. The number of assessees paying E.P.T. in India was considerably less than that in the U. K. The Act contained provisions for alternative standards and concessional grant of special standards in deserving cases.

10. *Section 9—Subsidiary companies* :

Mr. Ayers explained that under the existing provisions of the law subsidiary companies ceased to exist as a separate unit and tax was collected on the basis of the aggregated result. The position was almost similar to the case of a business or a partnership having considerable ramifications and a number of branches; in spite of these features, the activities of the business are, for purposes of tax, consolidated and the business treated as a single entity as a whole. There would be a common standard period and a combined standard profit. The subsidiary companies were in the same position in their relation to parent companies and he was unable to see the justification for a differential treatment.

During the course of the supplementary discussion in reply to a question whether upon the aggregation of the profits and capital of the subsidiary and principal companies, the statutory percentage to be applied in respect of increase of capital would be governed by the statutory percentage applicable to the principal company or that applicable to the subsidiary company, Mr. Ayers observed that once the company became a subsidiary, it lost all independent identity so far as computation for tax purposes was concerned. The computation should proceed only on the basis of the principal company.

In reply to further enquiries Mr. Ayers also made it clear that if the subsidiary company was a Director-controlled company and the principal company a public company, the percentage to be applied to the subsidiary company would be the percentage that would be applicable to the principal company and not the one applicable to the subsidiary company, although in its own right the latter was a director-controlled company.

While discussing the points of anomalies that might arise in cases of inter-connected companies, Mr. Ayers also observed that there might be favourable and unfavourable results under the section as, for example, if the principal company was incorporated after 1938 and it acquired 90 per cent of the holdings in the subsidiary company which had already existed during the standard period, the capital of the subsidiary company would be computed on the statutory percentage of 12 per cent although in its own right it was entitled to 10 per cent if it were a director-controlled, and 8 per cent if it were otherwise.

11. *Schedule I, Rule* 5A—*Borrowed Capital*:

When Rule 5 of Schedule I was amended in 1941 it was known that the proposal for allowing all borrowed capital would not uniformly benefit all assessees. The point had to be looked at from the tax theory involved in it. The legislature when it decided to make the amendment felt that it was necessary to allow all the capital employed in the business, including borrowed capital; if in the process individual cases were adversely affected, that could not be helped. He was unable to agree to the suggestion for some special consideration for such cases under Section 26 of the E.P.T. Act.

APPENDIX 15

Interview with Sir Chintaman Deshmukh, Governor, Reserve Bank of India

Speech of Mr. Pranlal Devkaran Nanjee, President, Indian Merchants' Chamber, at the informal meeting with Sir Chintaman Deshmukh, Governor, Reserve Bank of India on Monday, the 24th April 1944 at 12-0 noon.

SIR CHINTAMAN DESHMUKH,

I have great pleasure in welcoming you today to this meeting of the Committee of the Indian Merchants' Chamber. Your appointment, Sir, as the Governor of the Reserve Bank, a key post in the country, was an event of national importance. It was as much the recognition of Indian talent as the vindication of the public demand that Indians must be appointed to such high posts in their own land. This is your first visit to this Chamber since you assumed the reins of your great office. We feel proud and rejoice that you, Sir, an Indian, hold this high post of honour and responsibility and we, therefore, take this opportunity of offering you our heartiest congratulations on your appointment as the first Indian Governor of the Reserve Bank. The great position that you occupy brings with it a number of opportunities for evolving policies in regard to the financial administration and organisation of the country in the national interests of India. We have great hopes that the Reserve Bank will, during your regime, march steadily and surely towards its just and proper and an important place in world-finance and we have no doubt that you, Sir, with your great talent and patriotism, will be able to handle the financial problems of India in such a manner as will protect and promote both her internal economy and her national interests.

1. *Banking Legislation*:

The Government of India in 1940 circulated for opinion Draft Proposals of the Reserve Bank of India which suggested several important modifications and amendments in the law relating to Banks. My Committee replied at length to the questions raised in the Reserve Bank's letter and the Draft Banking Bill sent with it. Unfortunately, on account of the war situation the question has been postponed. Last year, however, the Government of India again approached the Commercial institutions for views regarding

changes recommended by the Reserve Bank of India in the law relating to the proportion of Authorised, Subscribed and Paid-Up Capital of Banks and with regard to Preference, Deferred and Ordinary shares in a Banking Company. My Committee welcomed the move of the Reserve Bank and generally endorsed the Reserve Bank's proposals in this connection and they have now been incorporated in the law governing banks. My Committee, however, emphasised in their original Memorandum in 1940 as also in their letter to the Government of India in May last year the need for a comprehensive Banking Legislation, and that piecemeal legislation, though useful in its way, was not enough. We urge upon your attention, Sir, the necessity of a comprehensive Banking Legislation that would work both in the interests of the public as well as Indian Banking.

A healthy control and regulation of Banks can be objected to by no one provided it is so drafted and framed as would help the healthy growth of banking in the country as well as, at the same time, safeguard and promote interests of trade, commerce and industries and the general depositing public, who are the constituents of banks.

2. *Promotion of New Banks* :

Another fact that has attracted the attention of the public is the promotion and organisation recently of several new banks. My Committee consider that, looking to the vastness of the country, and its trade, industries and agriculture, the number of new banks started is not to be looked upon with anything like apprehension. The number of banks and branches and the deposits *per capita* in our country, as compared with other advanced countries, is, as you are aware, in proportion very small indeed, and there is an ample scope for their increase. My Committee, therefore, welcome the start of new banks started on right lines and by persons well-known in the Commercial and Industrial world and by those who command the confidence of the public and those that have the required experience of Banking to their credit. In this connection, we welcome the sentiments expressed by you at the Sydenham College of Commerce & Economics early in the year, that you did not regard the existence and the opening of new Banks and their branches as a source of weakness to the banking system, provided they pursued sound policies, and also that there was no reason to

fear why these banks should not be able to stand the strain of the post-war period in a developing and expanding field of business. You were also good enough to say that the Reserve Bank of India, as the central Banking institution of the country, would, in the post-war era, be ready to render assistance to such of those banks as might find themselves in difficulties which were not of their own making.

3. *Exchange Business*:

I referred in my speech at one of the recent Quarterly General Meetings of the Chamber to the position of Indian Scheduled Banks in the financing of India's foreign trade. The total volume of import and export trade of India in normal times amount to several hundred crores of rupees per year. The financing of this Overseas Trade and the foreign exchange business still continues to be concentrated in the hands of non-Indian banks, known as "Exchange Banks." Since the Reserve Bank of India has come into existence it is felt that facilities should be given to the Indian Scheduled Banks by the Reserve Bank of India for the conduct of this business by them. The Reserve Bank has a branch in London and under Section 17(3) of the Reserve Bank of India Act, it is empowered to re-discount foreign bills of exchange and otherwise assist transactions relating to the financing of foreign trade. My Committee feel that active steps for securing the participation of the Indian Scheduled Banks in the field of Overseas Trade and Foreign Exchange business should be taken.

4. *Indigenous Bankers*:

One of the outstanding questions, which is awaiting a satisfactory solution, is the question of the position of indigenous bankers. A few years back some correspondence passed between my Committee and the Reserve Bank, as also between the Reserve Bank and the Bombay Shroffs (Bankers) Association, Ltd., of which body also I have the honour to be the President. What is mainly and fundamentally wanted by the indigenous bankers is that they should be accepted in the hierarchy of the Indian Banking system. We need not mention to you, Sir, that the indigenous bankers have proved to be invaluable in the banking system and the economic life of India since times immemorial and upto this day, the trade, industries and agriculture have, to no small extent, been financed by them and owe the continuity of existence to their well-meant

efforts. The Reserve Bank evidently is hesitating to recognise these indigenous bankers unless they agree to certain stipulations like submission of regularly audited accounts and a self-renunciatory pledge of not doing any other business excepting banking business, pure and simple. So far as my Committee are able to read the situation, the main difficulty centres round the condition about confining the business to banking proper. The indigenous bankers hold that they should not be asked to give up all their traditional business suddenly and that the only ban should be in regard to speculative business. Moreover, the indigenous bankers have expressed themselves willing to agree to a provision to secure legal segregation of their banking business within a period of five years. My Committee consider that there is much in this view which is fair and reasonable. A solution of this difficulty has, unfortunately, not been found and the whole scheme is still in abeyance. My Committee feel that linking these bankers to the banking system will go far to strengthen it and not weaken it and we, therefore, look to you, Sir, to get this matter solved to the satisfaction of the interests concerned.

5. *Sales of Gold and Silver:*

It is a tragedy for the national interests of India that it often suffers huge losses by policies adopted by the Government of India. My Committee feel that this has been the case again in regard to the sales of gold as well as of silver. We hold the view that for all practical purposes, especially among the masses, silver is still a precious metal and plays a very important part in the prosperity as well as economy of the country. It continues to remain the sheet-anchor of our working classes as well as of our agriculturists. We have, therefore, always held that the policy of the Government should be towards the strengthening of stocks of silver in the country, instead of depleting them by sales to outsiders and we feel that the policy of selling silver from time to time from their resources by the Government of India has prejudicially affected the country's economic interests. Their action last year in selling Indian silver in the London market to the extent, according to private estimate, of about 150 crores of rupees, at rates considerably less than those prevailing then in the Indian market, has, therefore, naturally caused a feeling of resentment and alarm in the minds of the people, and to thus discriminate in favour of non-Indian interests at a huge sacrifice to India's own interests is bound to shake whatever

faith still remained in the integrity of the Government's financial policy. And the Government are now reported to have begun to purchase silver on account of India from foreign sources! We feel that the policy the Government have pursued in this matter is neither just or fair nor in the interests of this country. We would urge upon Government, through you, Sir, that such a silver policy should be laid down and pursued as would enable the country to build large reserve stocks of silver, keeping in mind the demands of the working classes and agriculturists who are attached to silver and are accustomed to keep at least some silver with them to help them, to some extent at any rate, to struggle through times of scarcity and distress.

The policy of the sale of silver and its adverse effect on the national economy of the country pales into insignificance, when it is realised how India's interests have been ignored by the policy of the sale of gold adopted during recent years and particularly during recent months. You are aware, Sir, that the Government of India had allowed gold to be exported out of this country for the last several years. There was a universal protest from the country against allowing the gold to be drained out of the land. True to their traditions, the Government of India continued to turn a deaf ear to all such protests, and gold to the tune of about 360 crores of rupees was exported out of the country since England went off Gold standard in 1931. Had this gold not been allowed to be drained away from the country, it would have not only added to the financial strength and credit of the country, but would have also served as a source of vital reserve. But the Government of India not only did not care to stop the draining away of this so-called distress gold of the poor, but actually encouraged its export in the teeth of universal opposition in the country.

And only recently have the Government's eyes been opened and gold has now to be brought back to the country. Gold, however, which was drained away at a comparatively very low rate, is imported into the country and sold at a very much higher rate. India is thus made to suffer in both directions. It would have been some consolation if the huge profits, which are made by these sales, remained with the Government of India. As matters stand, the profits go either to His Majesty's Government or to the United States of America; and now there is a demand by the South African Government for a share!

The Government of India's silver was sold in the United Kingdom last year at rates lower than the rates prevailing in India. Now that gold is being sold to this country, is it not but fair that it should be sold to the Government of India, at least at its International parity?

My Committee, Sir, are not against sales of gold as such. In fact, we welcome them. We have also always held that India ought to have received payments in gold for the goods sold and services rendered from the United Kingdom and the other Allies instead of in Sterling; but we cannot but protest against the policy of selling gold to the country at a rate higher than parity and not even allowing the profits thus earned to remain with the Government of the land. We wonder if you are in a position to use your influence and good offices with the Government of India to lay down a policy as regards the purchase and the sale of gold as well as silver, as would not result in the sacrifice of national interests, as the present policies have been doing, but such as would conduce to the protection and strengthening of the country's interests and national economy.

6. *Widening of the Definition of Eligible Paper*:

It has been frequently suggested that the provisions of the Reserve Bank of India Act regarding re-discount facilities and the securities accepted as eligible paper for the purpose, are rather restrictive, and stand in the way of any large commercial use being made of them. No doubt, the Reserve Bank offers to grant accommodation against Government Securities and Bullion to the Scheduled Banks, and is also authorised to re-discount Bills and agricultural paper, etc., on certain terms. There is, however, no provision for industrial paper being re-discounted by the Reserve Bank. In practice, under the existing restrictions, the Reserve Bank, more or less, is able to grant facilities only by way of loans against Government Securities, and this facility too the Scheduled Banks do not find it convenient to avail themselves of owing to certain formalities and comparatively higher rates of interest demanded by the Reserve Bank of India, not to speak of the feeling (probably erroneous) in the minds of the public that if a Bank approaches the Reserve Bank for an advance its financial position is unstable. It is necessary to consider whether the time had not come for widening the definition of what is known in

banking parlance as eligible paper, thereby enabling the Reserve Bank to afford credit facilities on an enhanced and more practical scale. In other Central Banking Systems also the orthodox insistence on immediate liquidity is being relaxed and it is significant to mention that they have been extended in three principal ways, viz. :—

(1) by making eligible for re-discount certain types of paper not possessing the traditional qualities of security and liquidity;

(2) by authorising the Central Bank to accept new types of securities as collateral security for advances; and

(3) by empowering the Central Banks to make more or less direct industrial or commercial advances.

Thus, the Bank of France in 1936 was authorised to re-discount Treasury Bills and Bills drawn against grain harvests, etc. In 1937, the Federal Reserve Board made eligible for discount financial papers, construction loan notes and consumers papers. Under the Federal Reserve system, again, the list of items which could be accepted as collateral securities has been considerably liberalised. In Italy, New Zealand and U. S. A., the Central Banks are also authorised to give direct loans for industrial and commercial purposes. It would, therefore, not be out of place for us to take note of the above developments and tendencies in Central Banking practice in other countries. We would request you, Sir, to bring about corresponding changes in the Reserve Bank of India Act and practice, so as to accord more fully with the needs and requirements of the country and its financial and commercial structure.

Just as merely declaring that the Reserve Bank would advance, say, 95 per cent. against Government Securities has greatly contributed to the stability in Government Security prices and their ready marketability, so would the inclusion of industrial and commercial loans as eligible paper greatly encourage the Scheduled Banks to help industrial and commercial demands, especially of the small and the medium-scale industries, which are clamouring for finance and are not always able to find it adequately and on favourable terms. New industries, small and heavy, will most likely be started all over the country in the period of reconstruction after the war. We look to you, Sir, as the Head of the Reserve Bank, so to adjust all these factors as to make Indian Banking a permanently useful agency,

and especially so in the much looked for post-war industrialisation and reconstruction of our country.

7. *Renewal of Government Securities*:

There is an innate sense of confidence in the country in regard to investments in Government Securities, and they are rightly deemed almost in the nature of cash. We feel that it is necessary that the authorities concerned should do everything to foster this sentiment. The fixation of minimum prices was, we think, a step in the right direction and protected the public from unjustified panic and helped the stabilisation of their prices, preventing the unfortunate experience of the last war.

The Government of India recently introduced a Bill to amend and consolidate the law relating to Government Securities, which, *inter alia*, seeks to provide a period of limitation of six years in regard to the payment of the value of and interest due on Government Securities. My Committee feel that the liability of Government, so far as principal and interest, should cease only on repayment, and it would be extremely inadvisable for Government to introduce a time factor in regard to Government Securities. Any such step would ultimately lead to undermine the sense of security enjoyed by Government Securities in which investments are practically compulsory by Trusts, Guardians, Charities, Public Institutions, etc.

I would also like to refer to another point relating to Government Securities on which we have strong views. The investing public were, by long usage, led to believe that on renewal of a Government Promissory Note, the holder got a good title and any defects in the endorsement of the old Promissory Note were deemed to have been cured by Government issuing the renewed Note. The above position was disturbed by a recent decision of the Privy Council in the Case: *Secretary of State for India* vs. *The Bank of India*. It was held that Government had a right of implied indemnity against the last endorsee in respect of such renewed Notes and as such Government would be protected from any loss arising out of any such defects in the title. We have requested Government that the uncertainty created by the above decision should be ended, so as to protect the investing public by providing that on renewal the holder would be deemed to have entered into a new contract and as such secured a title beyond chances of any dispute. As an

alternative, we had suggested that if Government considered it inadvisable to assume full legal obligation in respect of any renewed Securities, they should at least agree to institute a time limit of, say, three years, after which no question of the validity of an endorsement could be raised. Although any changes in the law relating to Government Securities will have to emanate from the Central Government, we are placing before you the above for your consideration, so that realising the correctness of the position taken by us, you may commend the necessary changes for consideration of Government.

8. *Indian Bankers' Association* :

Some of our Indian Bankers have been thinking of organising an Indian Bankers' Association, which will, *inter alia*, become a good connecting link between the Scheduled Banks and the Reserve Bank, as also between the Indian Scheduled Banks themselves. Such an Association can also become the link between the Indian Scheduled Banks and the public. It would help, by advice or otherwise, in the administration of the Banks and in respect of giving greater facilities to Indian trade, industries and the general public. The Exchange Banks in this country have benefitted by forming themselves into and Exchange Banks' Associations in Bombay and Calcutta and our Indian Banks may well take a leaf out of their book. It is true, that our Chamber has a Banking Sub-Committee, on which are represented many of the Indian Scheduled Banks in the City, but it is felt that it cannot fully take the place of such a Bankers' Association. We trust that you will be prepared to assist the formation of such an Association with such advice as you can properly give.

9. *India's Sterling Balances* :

You are aware, Sir, that Indian commercial interests have been viewing with great concern the developments in the monetary and financial spheres of the country since the commencement of the war, as disclosed particularly by the huge accumulation of Sterling balances. While, we recognise that such questions of financial policy are primarily decided by the Government of India, we feel that the Reserve Bank of India, and particularly your goodself, will have occasions to discuss the fundamental aspects of the problem with the Government of India and tender them advice regarding steps to be taken to protect the interests of the country at large.

The currency expansion and the accumulation of Sterling resources have, more or less, come to be regarded as twin problems. The Sterling balances have accumulated because His Majesty's Government chose the convenient way of paying in Sterling in London for financing their operations in the country and for meeting the cost of the war supplies procured here for their use. If ordinary methods of settling international accounts were to be followed, His Majesty's Government and other Allied Governments would have to export gold to this country to make good their balances of payment; but in view of our subordinate constitutional position, any demand for such a method of settlement of accounts would be dismissed as political. It would, however, appear that Dominions like Canada and South Africa have insisted on payment of part of their dues from the United Kingdom in gold and partly in Canadian or South African Stocks. It is necessary to engender a feeling of confidence in the country—more so, as on the strength of these Sterling balances a large amount of currency has been issued in the country—in regard to security and liquidity of the assets locked in the shape of these balances. The Government of India should, to that end, secure assurances from His Majesty's Government that repayments in respect of these balances would be made to this country, within a reasonable period of time, in full tangible value and without depreciation due to any possible exchange fluctuations. The trend of the comments made by British publicists and financial journals gives rise to an apprehension that efforts might be made for getting the Sterling balances sterlised, as a sort of war-debt to be liquidated at leisure during the post-war period by a process of gradual adjustments and token payments, or we should part with a good part of these balances as a free gift to the United Kingdom in the cause of war effort. The suggestion is unthinkable and will never be acceptable to the country. The International Currency Plans, which were sent round recently by the Government of India for eliciting commercial opinion also seek to treat such obligations as abnormal war balances. In his speech introducing the Budget this year, the Honourable the Finance Member observed that a Conference of all the United Nations was likely to be convened to discuss this complicated question and that India would have an opportunity of presenting her case at that Conference. Reports are also current that you, Sir, will be invited to join the Indian Delegation to the Conference. We hope you, Sir, will do your best to

disillusion the minds of those who think in this strain and inform them of the true public opinion in the country. India has parted with her goods, materials and services at a great sacrifice and at a time when she could ill-afford it and it is but sheer justice that the repayments should be made out to her before long in equal and good value. We also hope that non-official Indian representatives enjoying the confidence of the business community will be included in the personnel of the Indian Delegation to the Conference and will be a source of assistance to you in voicing the real Indian view-point.

We would also like to refer to the arrangement for creating a Dollar Reserve Fund announced by the Finance Member in his recent Budget speech. He mentioned that it had been decided to set aside each year from now onwards a part of the Dollars accruing from India's exports to the U.S.A., and to hold the same in a Dollar Account to be made available for India's development purposes after the War. While we welcome the creation of such a Fund, we fail to understand why only a part, and not the whole, of the Dollar resources accruing from India's exports should be made available for this fund. It is pertinent to point out that this country was forced to part with her Dollar resources in the interests of His Majesty's Government, and it is but fair that at least so far as the future is concerned, all the Dollars accruing from India's exports should be made available for the credit of the above account. Incidentally, if India gets direct payment in Dollars both for her exports and for the financing of the American War expenditure and purchases in this country, the pressure on our Sterling balance position would, to that extent, in future, be reduced.

Conclusion:

We have in our notes covered a number of issues affecting the financial and monetary policy of the country. We realise, Sir, that the primary responsibility in the formulation of such policies rests with the Government of India and that the Reserve Bank is the agency or the Executive Authority for the administration of that policy. Our criticisms, therefore, are directed more against that policy than against the administration thereof by the Reserve Bank. We have been outspoken in expressing our fears and misgivings so that whenever an opportunity presents itself, you may be in a position to place these suggestions and views before the Central

Government and bring about such changes in matters of policy as would help to re-assure the public. We again thank you, Sir, for having come over here today and for giving us this opportunity to discuss informally these matters with you.

APPENDIX 16

International Monetary Fund

Letter No. D. 4741-F|44 dated 26th April 1944 from Government of India, Finance Department to Chamber.

In continuation of this Department letter No. D. 9423(2)-F dated the 25th August 1943, I am directed to enclose three copies of a statement of principles for an International Monetary Fund.* The Government of India will welcome the comments and views of your Committee on the statement at a very early date.

Letter No. 1166 dated 13th June 1944 from Chamber to Finance Department, Government of India.

I am directed to refer to your letter No. D. 4741-F/44, dated 26th April 1944, forwarding copies of statement of principles for an International Monetary Fund.

My Committee have gone through the statement in question carefully. They are alive to the need for an international arrangement in the post-war period for the purpose of promoting international monetary collaboration and for preventing developments in the monetary sphere which would in any way adversely affect the promotion of international economic equilibrium. At the same time, it is necessary to emphasise that the success of any such arrangement or plan will be conditioned by the preparedness of all concerned to give due recognition to the special requirements of countries which are economically backward. For instance, promotion of international trade is outlined as the main and fundamental object of the proposed Fund. So far as India, however, is concerned, the immediate necessity is an improvement in her internal trade and her internal condition. India has been economically backward and considerable attention is being now given to the question of developing the internal economy. To this end, leaders of thought in the commercial and industrial spheres in the country are emphasising the importance of a planned programme of industrialisation, and so far as India

* Text not printed.

is concerned this aspect will have to be borne prominently in mind in any proposals for securing international monetary collaboration. My Committee are naturally at a disadvantage in expressing their considered opinion on the plan in the absence of more detailed particulars on the essential features of the scheme. It is mentioned that the plan is the result of preliminary discussions between the experts of the United and Associated Nations. It is not known whether the Government of India had taken part in these discussions. At any rate, the commercial community have not been given any information about the discussions. It is not known as to how the quotas are to be paid; proposals in regard to the actual management of the Fund are also very sketchy. An expression of opinion will be possible only when a complete picture of the plan, with all its essential details, is furnished. In the circumstances, my Committee will have to content themselves by giving their views on certain preliminaries, which are considered as pre-requisites for the evolution of any such scheme for international collaboration.

My Committee are glad to note that the Indian Delegation to the International Monetary Conference to be held early next month will include two non-officials. They presume that these representatives will be deemed as full-fledged Delegates entitled and to represent the view-point of the country before the Conference to take part in its deliberations in all its stages. They also hope that as the result of the discussions, a fuller picture of the scheme will be made available for the public in this country.

Unlike the earlier plans, the present proposals significantly leave out of consideration the question of what has come to be known as the abnormal war balances. India is vitally interested in this aspect of the problem. She has acquired large Sterling credits. This is neither the occasion nor the time to deal with the circumstances under which these balances have been acquired and the consequent disadvantages the country has been put to in dealing with her own internal affairs. It must, however, be emphasised that as far as this country is concerned, the immediate anxiety is in the matter of facilities for the utilisation and payment of these Sterling balances. Any international plan which fails to make adequate provision for achieving the same will not meet the requirements of the situation so far as India is concerned. The question of these Sterling balances should, therefore, be either included as

part of any proposals for the future international collaboration or should, in advance be settled between this country and the United Kingdom. Without this, fundamental pre-requisite being fulfilled, it will be very difficult for India to interest herself in any proposals for international monetary stabilisation. My Committee, therefore, urge that the Government of India should begin, without any loss of time, negotiations with His Majesty's Government for the satisfactory disposal of these Sterling balances, and come to an arrangement whereby these balances will be paid without delay for being utilised for constructive purposes in this country.

As mentioned earlier, the details regarding management, composition of the Executive Committee of the Fund, etc., are not given in the Statement. No indication has also been given as to the principles which would guide the selection of countries for direct representation on the Committee. My Committee would like to urge that, if any such scheme has to be really international, it is of paramount importance that countries in the East should have an effective say in its management, and to that end steps should be taken to ensure direct representation for such countries in the Committee of Management. It is understood that 5 seats are proposed to be reserved for direct representation by certain countries. They strongly feel that atleast two of these should go to Asiatic countries, and at any rate, India should have a direct representation on the Executive Committee; having regard to the size of the country, her population, her economic importance and other factors, it is hoped that the Government of India will have no difficulty in persuading the other countries to get this point accepted.

My Committee have, in this connection, seen a copy of the representation dated the 12th instant submitted to Government by the Committee of the Federation of Indian Chambers of Commerce & Industry. They are in general agreement with the views expressed therein, and hope that the Government of India will give due consideration to all the points raised therein and take the necessary steps to safeguard the interests of this country in this matter.

APPENDIX 17

Sterling Balances

Letter No. 2036 dated 6th October 1944 from Chamber to Finance Department, New Delhi.

As Government are aware the question of the Sterling balances held by the Reserve Bank of India on behalf of this country and their disposal has been causing serious concern to the Indian commercial community. The sterling assets with the Reserve Bank in its Issue Department amounted to just over Rs. 64 crores in August 1939, i.e., just before the war; at the end of August 1944, the figure stood at over Rs. 831 crores. This is exclusive of the sterling balances held in the Banking Department of the Bank which at the end of August 1944 amounted to over Rs. 275 crores. The total sterling resources available now with the Reserve Bank are thus over Rs. 1,000 crores.

It was expected that some practical solution of the problem presented by these balances would, by common agreement among the parties concerned, be evolved at the time of the International Monetary Conference. Unfortunately, due to the developments at the Conference, into the details of which my Committee do not wish to go at this stage, this was not to be. It is now suggested that the matter should be the subject of bilateral negotiations between the representatives of His Majesty's Government and the Government of India. It is further understood that the preliminaries connected with such negotiations are now under discussion and that the representatives of this country would be deputed to the United Kingdom for that purpose. If, as is reported, Government contemplate sending representatives from this country to the U. K. to carry on the necessary negotiations with representatives of His Majesty's Government, it is presumed that the Indian delegation in that connection would include representative non-officials enjoying the confidence of the country so that the talks and the negotiations may inspire confidence here and so that the case of India could be effectively presented and pressed before the authorities in the U. K.

Apart from the magnitude of the Sterling balances, which are still continuing to accumulate in London, Indian commercial community are further disturbed by statements made by the U. K.

Delegation at the International Monetary Conference that even during the transitional period provided for in the International Monetary Fund, neither these balances nor any further accumulation arising out of current transactions would be multilaterally convertible. Furthermore, whilst it has been constantly dinned into our ears that the only effective manner in which the Sterling balances can be liquidated is through purchase of goods from the U. K. over a period of years, it is rather alarming to be told from fairly authentic quarters that at least for some years after the war, the manufacturing capacity of the U. K. to supply the goods required by the world would be limited. This information makes it all the more imperative that the Government of India should, without any further delay, open negotiations with His Majesty's Government to find a satisfactory solution of the problem.

Various suggestions have already been made, both in the press and in the discussions in public bodies, regarding the best manner of utilising these Sterling balances in the true interests of the country. Representative commercial bodies have also placed before Government, in written communications, detailed suggestions in that regard. My Committee do not wish to cover the same ground again in this communication. They would, however, in particular wish to reiterate that there is one suggestion, which has been repeatedly made, which is capable of being implemented immediately and which need not await the result of the negotiations for the final disposal of these balances. They are referring to the suggestion for acquiring British-owned investments and enterprises in India by paying the value of the sterling capital involved in the same; similarly, the Rupee investments of British nationals in India should be mobilised by His Majesty's Government and transferred to India in exchange for payment in sterling. The details of this suggestion have already been placed before Government from several quarters. There is a precedent for action on similar lines in the steps taken by the British Government in requisitioning the Dollar resources and investments of the British nationals in the U. S. A. and also in some of the Dominions like Canada, South Africa, etc.

No accurate estimate of the extent of foreign capital available for repatriation in the above manner has so far been made. But it is presumed that British investments in this country would amount to £200/300 millions. My Committee recognise that, in relation to the total sterling balances to be disposed of, such a proposal would

not by itself meet the requirements of the situation. The proposal, according to them, is one which could be immediately implemented without any serious difficulty. My Committee, therefore, request that Government will be pleased to examine this particular suggestion and take the necessary steps immediately and also issue a full statement as to what they propose to do for ensuring the liquidity and convertibility of these balances.

APPENDIX 18

Empire Dollar Pool

Letter No. 2012 dated 2nd October 1944 from Chamber to Finance Department, Government of India.

I am directed by my Committee to recall the fact that soon after the outbreak of the war, the dollar credits available in this country, either with the Government or with the people were mobilised by the United Kingdom on the plea that they were required for assisting them in the common war effort. Later on, the Empire Dollar Pool was formed and all the dollars that became available to this country from time to time, as a result of the favourable balance of trade with the United States of America or otherwise, were credited to the Pool Account. My Committee will be obliged to the Government of India if they will be pleased to inform them as to the total amount of dollar mobilised, as referred to above, and the total amount of dollars which stand to the credit of the Pool Account giving separately the amount of the dollars which stand to the credit of this country in that pool.

My Committee understand that since the time the preparations for the invasion of Europe were made by the Allied Nations, the position of His Majesty's Government with regard to their dollar credits has considerably improved. They, therefore, do not stand in need of such mobilisation of the dollar credits of the Empire now as before. Moreover, as pointed out by the Finance Member in his last Budget speech :

> " Plans for reconstruction and development, including a forward policy of industrialisation, are now being laid. The early implementation of these plans will, however, be dependent to no small extent on external finance."

It is, therefore, essential for this country to secure for itself all

its dollar resources so that the same can be utilised for enabling it to push on with all its future schemes for establishing and developing industries in this country. In view of the uncertain position of converting the Sterling balances to the credit of this country in the United Kingdom into dollar or other International currencies, it is of supreme importance to secure the share of this country available to it in the Empire Dollar Pool and to allow it to retain hereafter all the dollar credits that accrue to her either as balance of trade or in any other way. My Committee, therefore, suggest that the Government of India should urge the dissolution of the Empire Dollar Pool; or, at least at any rate, allow the arrangement to terminate so far as India is concerned and to ask His Majesty's Government for the allocation to this country her share of the Dollar credits already accrued on a *pro rata* basis. It is also essential that the Government of India should request His Majesty's Government to credit to its fullest extent to India's account from now onwards all the dollar credits resulting from India's transactions, both commercial and otherwise, instead of merely a part of its share as announced by the Finance Member in March last.

During the course of his Budget speech last February, the Finance Member stated :—

> " The House will be gratified to know that His Majesty's Government have agreed in this connection, and as an integral part of the reciprocal aid arrangement, to set aside each year from now onwards a part of the dollars accruing from India's exports to the U. S. A., apart from and in addition to our current dollar requirements which are met from the Empire Dollar Pool under the usual sterling area arrangements. These amounts will be held in a dollar account by the Reserve Bank of India with the Bank of England and will thus be immediately available for India's development purposes after the war."

My Committee will be grateful to the Government of India if they will be good enough to inform them as to the amount of the dollars which stand at present to the credit of the Reserve Bank of India in account with the Bank of England.

APPENDIX 19

Subscriptions to Defence Loans

Telegram dated 17th February 1944 from Chamber to Finance Department, Government of India.

Committee Indian Merchants Chamber have noted reply given by you as appeared in issue *Times of India*, dated 15th in Central Legislature on 14th to question about certain instructions having been issued for collecting money on war bonds from the public for purposes stimulating savings. While Committee regret that your answer did not reply specifically the question whether instructions were issued for collecting money on war bonds and certain rates were fixed for such collection per acre on holdings of agriculturists and per candy of produce of foodgrains and commercial crops and whether instructions were issued to schoolmasters and subregistrars to collect money compulsorily fixing certain quotas for them your answer as published implies that such instructions if given were in order. Committee would therefore request you to make it clear that Government have no intention of applying or resorting to compulsion in carrying their savings campaign and if any such instructions are issued or if any steps are taken either by Central Government or Provincial Governments whereby people are compelled to contribute to savings campaign such instructions would be forthwith withdrawn and arrangements would be made to see that no such steps are taken which involve and lead to compulsory savings contribution. Committee will be obliged by your informing them of steps taken or which you propose to take this connection.

APPENDIX 20

Discretionary Powers of Income-tax Officers and Appellate Assistant Commissioners

Letter No. 1236 dated 22nd June 1944 from Chamber to Central Board of Revenue, Government of India.

I am directed to draw the attention of the Central Board of Revenue to the discretionary powers enjoyed by the Income-tax Officers and the Appellate Assistant Commissioners under certain sections of the Income-tax Act whereby orders passed by them in certain cases in exercise of their discretionary powers are considered final and therefore non-appealable.

When an Appellate Assistant Commissioner rejects an appeal on the ground of any defect in the prescribed form of appeal or on the ground of its being received after the prescribed time limitation, there can be no appeal against such rejection. Further, the Appellate Assistant Commissioner can admit registration even at an appellate stage [*vide* Rule 2(*c*)]. If the Appellate Assistant Commissioner arbitrarily and capriciously refuses to exercise his power, there is no appeal to the Tribunal.

My Committee submit that the discretionary powers above referred to are capable of being abused to the great disadvantage of the assessee public who have no recourse to appeals before higher authorities. In law, discretionary powers become helpful only when they can be exercised for the benefit of the public. If such powers can be exercised against the public, they will result in frustration of law and equity, which demand that decisions should be made appealable to higher tribunals will complete and full examination of the issues has been allowed to be carried out.

They, therefore, urge that the discretion contained in the above sections should be subjected to the appeal before the Tribunal and the law should be amended to that effect. My Committee beg to request that the sections under reference may be amended by short amending Bill.

Letter No. D. A. Dis. *No.* 4(15)IT|44 *dated 7th September* 1944 *from Central Board of Revenue to Chamber.*

In reply to your letter No. 1236 dated the 22nd June 1944 regarding discretionary powers of Income-tax Officer and the Appellate Assistant Commissioners, I am directed to say that the Board does not think it necessary or proper to provide for appeals in these cases, and that in cases of real hardship recourse can be had to Section 33A of the Income-tax Act.

APPENDIX 21

Disallowance of Maintenance to Families Employed in Enemy Occupied Territory

Letter No. 1241 *dated* 23*rd June* 1944 *from Chamber to Central Board of Revenue, Government of India.*

I am directed to address the Central Board of Revenue regarding the above and to invite their attention to the case of Messrs. Waghji

Lakhmidas & Co., Bombay, who have represented to my Committee that the Excess Profits Tax Officer concerned has disallowed an item of Rs. 2,000 which was disbursed by them as maintenance allowance to the families of their employees who were detained and were in all probability prisoners at Singapore on the outbreak of hostilities. They are further informed in this connection that the employees of the said firm had sent their families to India before the hostilities started and that they themselves remained at their posts. They are given to understand that the E. P. T. Officer has disallowed to the above item on the plea that the same was debitable to the income of the firm at Singapore. My Committee, however, feel that the disbursement in question cannot be debitable towards salaries of the detained employees, the same being expended for the benefit of their families as assistance and help or, if it can be so described, as pension or reward.

It is urged that in view of the sympathetic policy adopted by Government in regard to the question of financial assistance to the evacuees from Burma, Malaya and other enemy occupied territories, the case of Messrs. Waghji Lakhmidas & Co., will be sympathetically considered in the interest of the families whose bread-winners are at present in enemy captivity and instructions will be issued to the Officer concerned to allow the item in question.

Letter No. 27(35)I.T. dated 3rd August 1944 from Central Board of Revenue to Chamber.

With reference to your letter No. 1241, dated the 22nd June 1944, on the above subject, I am directed to say that the Board have, as a special case, decided that payments of the nature described in your letter should, in so far as they are not unreasonable, be allowed as business expenditure in the payer's assessment. They have accordingly asked the Commissioner of Income-tax Bombay, to revise the assessment in this case and to allow the necessary relief to the assessee.

APPENDIX 22

Discrimination in the Existing Provision for Taxation of Companies

Letter No. 2237 dated 7th November 1944 from Chamber to Central Board Revenue, Government of India.

I am directed to draw the attention of the Central Board of Revenue to the Schedule of rates fixed by the Indian Finance Act,

1944, particularly in the case of companies. Under the Second Schedule, Part II, the following provision appears :—

" D—In the case of every company—

	Rate :
On the whole of total income	Three annas in the Rupee ;

Provided that a rebate of one anna in the rupee shall be allowed on the total income as reduced by the amount of any dividend *declared in British India* in respect of the profits of the previous year for the assessment for the year ending on the 31st day of March 1945, not being a dividend payable at a fixed rate or a dividend declared on or before the 29th day of February, 1944, by a company to which but for sub-section (8) of Section 6 of this Act, Section 23A of the Indian Income-tax Act, 1922 (XII of 1922) would be applicable."

The above provision is a serious infringement on the rights of Indian companies and discriminates too very obviously in favour of foreign companies. The words " as reduced by the amount of any dividend declared in British India in respect of the profits of the previous year " need no interpretation as they clearly define that companies declaring dividends in British India will be deprived of the rebate of one anna in the rupee on the entire profits of the previous year. The deliberate use of the phrase " declared in British India " exempts all British and foreign companies which though trading in India have their registered office outside British India where their dividends are generally declared. My Committee urge that Government should carefully examine the above provision and set right the injustice and discrimination involved in the said provision.

APPENDIX 23

Section 34—Provision for Relief on Over-Assessment

Letter No. 1243 dated 22nd June 1944 from Chamber to Central Board of Revenue, Government of India.

I am directed to acknowledge your letter re : DA. Dis. No. 4(22) IT/43, dated the 17th December 1943 in regard to the above. My Committee feel that the two Sections viz : 33A and 35 pointed out in the letter under reference as providing relief against over-assessment, do not as such cover the facilities which the Income-tax Depart-

ment enjoys under Section 34 in regard to escaped assessments. Section 33A is hedged in by various provisions whereunder the Commissioner is precluded from taking up the revision of assessment asked for by an assessee. The Section is also unhelpful in so far as there is a limitation of period of one year from the date of the previous Order within which the revision should be asked for. With regard to Section 35, they are given to understand that the assessees have not so far found protection generally under the Section in regard to revision of over-assessment. The Section would give relief in case of an obvious mistake in assessment as the language of the Section implies. My Committee feel that all cases of over-assessment could not find relief under the Section. There can be over-assessment based on certain calculations which can be brought in question before a Court of Appeal, while such over-assessment may not be the result of an obvious mistake and consequently may not find relief under Section 35. My Committee, therefore, beg to urge again that provision should be made whereby the assessee would have the right to seek re-assessment in cases where it was subsequently found that there had been over-assessment.

Letter No. C. No. 4 (17)17 dated 2nd October 1944 from Central Board of Revenue to Chamber.

With reference to your letter No. 1243, dated the 22nd June 1944, regarding provision for refund of income-tax in cases of over-assessment, I am directed to say that the Board consider that Section 35 is wide enough to cover such cases. In their view that section would cover the rectification of any error evident in the assessee's books of accounts or other statements etc., from which the Trading and Profit and Loss Accounts and the Balance Sheet filed in the proceedings were prepared. A copy of the Board's circular No. 69 of 1940 dated the 25th October 1940 is enclosed for your information.

2. Unless concrete cases of hardship which may be brought to the notice of the Board establish that there is no remedy in the existing law, even on a liberal interpretation of Section 35 as indicated in the preceding paragraph, it is not considered necessary to amend the act.

Copy of Circular No. 69 of 1940 dated the 25th October 1940 from the Secretary, Central Board of Revenue to all Commissioners of Income-tax and all Appellate Assistant Commissioners.

Indian Income-tax Act, 1922—Section 35—Rectification of mistakes discovered in accounts.

It has been urged that Section 35 of the Income-tax Act, 1922, should be amended on the lines of Section 20 of the Excess Profits Tax Act, so as to enable the Income-tax authorities to rectify errors discovered in the evidence (accounts) tendered by an assessee. While the Board does not consider that an amendment to this extent is called for, it is of opinion that any error evident in the assessees books of accounts or other statements from which Trading and Profit and Loss Accounts and Balance Sheets filed in the proceedings, were prepared can be rectified under Section 35 as errors "apparent" from the records of assessment. Such rectification should, however, be made by the Income-tax Officer after getting the approval of the Inspecting Assistant Commissioner.

APPENDIX 24

Legal and Accountancy Charges

Letter No. 1237 dated 22nd June 1944 from Chamber to Central Board of Revenue, Government of India.

I am directed to address you in connection with the disallowance by the Department of Legal & Accountancy charges incurred by the assessees with regard to applications they may make under Section 26(1) to the Central Board of Revenue and under Section 6(3) to the Board of Referees for Excess Profits Tax purposes. My Committee feel that such charges should be allowed in fairness and equity as the same are incurred in regard to applications which involve consideration of standard profits and as such form a part of original assessment proceedings charges for which are allowed.

My Committee beg to request that in future, the applications above referred to may be considered as forming part of original proceedings for determination of standard profits and the expenses incurred thereto may, therefore, be allowed.

APPENDIX 25

Section 16(3) of the Income-tax Act — Income of Wife

Letter No. 4(25)I.T. dated 31st December 1943 from Central Board of Revenue to Chamber.

In reply to your letter No. 3136 dated the 2nd December 1943, I am directed to say that there appears to be no anomaly in Section 16(3) of the Indian Income-tax Act, 1922. Under that section

it is only the positive income of the wife which is to be included in the husband's total income and the husband is not to be regarded or even deemed to be the assessee in respect of such income. In so far as the losses, or previous losses if any, suffered by the wife are concerned she is entitled to have them first set-off against her income as provided under Section 24 of the act before her share of income is included in her husband's income.

Letter No. 1235 dated 22nd June 1944 from the Chamber to the Central Board of Revenue.

I am directed to acknowledge receipt of you letter Ref. No. D.Dis. No. 4(25)-I.T./43, with regard to Section 16(3) of the Indian Income-tax Act whereunder only the positive income of the wife is allowed to be included in the husband's total income. As mentioned in your letter under reference, your Board find no anomaly in the above Section and that the wife was entitled to set-off against her income losses or previous losses, if any, before her share of income was included in her husband's income. My Committee would, however, like to submit again that an anomaly exists in so far as, in the event of the wife making a loss, the husband's total income in a particular year could not be correspondingly reduced under the above Section. My Committee feel that the point made out by them is not met by the Board's explanation to the effect that the wife is entitled to set off of her losses. They maintain that if profits are liable to be taxed in a particular business, losses should also be allowed in reducing the aggregate tax liability in the same business. They beg to reiterate that the word " income " in the Section should be deemed to cover " loss " also. It is hoped that the Board will reconsider their decision in the above matter and issue instructions as requested previously.

Letter No. 4(13)-I.T./44 dated 9th August 1944 from Central Board of Revenue to Chamber.

With reference to the correspondence ending with your letter No. 1235, dated the 22nd June 1944 regarding interpretation of Section 16(3) read with Section 24 of the Income-tax Act, I am directed to say that on further consideration the Board have decided that any loss incurred by a wife or minor child from sources the income of which would be assessable under Section 16(3) in the individuals hands should be allowed in the latter's assessment in accordance with the provisions of Section 24. Instructions to this effect have already been issued to the Income-tax Officers.

APPENDIX 26

Section 42 — Commission Agents treated as Agents of Non-residents making purchases in British India

Letter No. 1239 dated 22nd June 1944 from Chamber to Central Board of Revenue, Government of India.

My Committee are informed that the Income-tax Department is sending notices to merchants making purchases on behalf of non-residents treating them as agents of such non-residents and requiring them to submit returns for assessment on such transactions. They submit that the above practice cannot be upheld in law and equity. Mere purchases on behalf of the non-residents cannot entitle the Department to make a case for assessment chargeable to the merchants making such purchases. Such purchases are part transactions which become complete only when adjusted by corresponding sales, thus showing profit or loss on the said transactions. It will be obvious from the above that purchases as such cannot be made a subject for assessment nor could they establish the merchants as agents of the non-residents making such purchases.

My Committee beg to urge that instructions should be issued discouraging the practice of sending assessment notices to merchants making purchases on behalf of non-residents.

Letter No. D. A. Dis. No. 56(4) dated 28th August 1944 from Central Board of Revenue to Chamber.

In reply to your letter No. 1239, dated the 22nd June 1944, I am directed to say that the Board are unable to issue instructions on the lines proposed by your Chamber. They would however suggest that full facts of the cases in connection with which the question has arisen may be brought to the notice of the Commissioner of Income-tax, Bombay for such action as he may consider necessary.

APPENDIX 27

Application for Refund of Tax by the Indian Hume Pipe Co. Ltd.

Letter No. 2236 dated 7th November 1944 from Chamber to Central Board of Revenue, Government of India.

My Committee are informed by Messrs. The Indian Hume Pipe Co. Ltd., that an amount of Rs. 99,980 being balance due by their

branch to the Head Office in Burma, although written off during the year of assessment, was assessed by the Income-tax Department and tax was collected thereon. The attention of your Board need not be drawn to the fact that the above loss was sustained by the Indian Hume Pipe Co. Ltd., as a result of enemy action. Since then the company have realised Rs. 13,621 from the Burma Government Banks or other bodies leaving a balance of Rs. 86,359. If the facts of the above case are true and my Committee have no reason to doubt the authenticity, the company appear to have been unjustifiably treated by the Income-tax Department and that the tax has been collected on the above amount in a wrongful manner and against the spirit of the instructions of your Board in such cases whereunder collection of tax is postponed till the end of the war. It would not be right for the Income-tax Department to reply in such a case that the provisions of this section or that section are not applicable for purposes of refund of the tax rightly claimed by the assessee. The Board is aware that it has passed specific instructions to withhold collection of tax in cases of amounts which were assessable but which were not recoverable on account of enemy action. In the case of such specific instruction, if tax was collected it should be immediately refunded on the assessee claiming the same. My Committee hope that your Board will be pleased to look into the case of Messrs. The Indian Hume Pipe Co. Ltd., and give the relief due to them.

Letter No. 29(56)I. T.|44 *dated 8th February* 1945 *from Central Board of Revenue to Chamber.*

Reference your letter No. 2236, dated the 7th November 1944, on the above subject.

2. The loss in question does not fall within the purview of the instructions contained in Board's Circular No. 44 of 1942/D.Dis. No. 27(68)-IT/42, dated the 3rd September 1942.

APPENDIX 28

Assessment of Amounts received from Enemy Occupied Territory

Letter No. 1242 *dated 22nd June* 1944 *from Chamber to Central Board of Revenue.*

I am directed to address your Board regarding assessment of amounts received or brought from enemy occupied territories. My

Committee are aware of the Department Circular No. 14 of 1942, C.9(1)-I.T./42, dated 26th March 1942, whereunder, for assessment years subsequent to 1941-42, even though the assessee's previous year ended on a date before the territory in question was occupied by the enemy, income-tax department is advised to postpone assessment. While they are thankful for the above circular deferring assessment of such amounts to a later date after the end of the war, they are constrained to point out that the principle of assessment of such amounts at a later date is neither fair nor just to the assessees under the present emergency. My Committee strongly request that under the present emergency, amounts brought over or received from countries under enemy occupation should be treated as capital and not income.

It is hoped that due consideration will be given to the request of my Committee and instructions will be issued to treat such amounts as capital.

Letter No. 18(3)I.T.|44 *dated* 31*st August* 1944 *from Central Board of Revenue to Chamber.*

With reference to your letter No. 1242, dated the 22nd June 1944, I am directed to say that the Board regrets it cannot issue general instructions to the effect that all amounts received or brought from enemy occupied territories should be treated as capital. I am, however, to add that full details of particular cases of hardship may be brought to the Board's notice when they arise.

APPENDIX 29

Provision for Automatic Repayment of Amounts due to Assessees

Letter No. 2235 *dated* 7*th November* 1944 *from Chamber to Central Board of Revenue, Government of India.*

I am directed to address the Central Board of Revenue on a question of importance both to the administration of Income-tax and to the assessees who are subject to such tax. You will agree that since the inception of the recovery of Income-tax from the public, the question of payment of refunds and rebates due to assessees has been treated as a sore point by the Income-tax Administration in this country. It is since long that the assessee public have a feeling that it is tiresome business to receive and recover refunds and rebates

due to them in connection with tax paid. In fact, every year a large amount of refunds payable to the assessees remains deposited with Government because for one reason or another, either Government would not be able to pay to the claimant or the assessee might have to forego the amount than undergo the difficult procedure to recover it. As against this hardship prevailing in this country, my Committee have to draw the attention of your Board, to the system of automatic repayment prevailing in U. K. In United Kingdom, the Board of Inland Revenue actually draw the attention of the taxpayer to the relief for which he has not lodged a claim. On examination of the taxpayers' Returns of total income, the Inland Revenue actually inform, by letter, the assessee of any refunds due to him. The return Form is enclosed with such a communication and on receipt of the relevant vouchers the Department pays the amounts due as refund or relief. My Committee are given to understand that it is the practice of the Revenue Administration to inform the assessees of such claims in previous years that might not have been claimed by them. My Committee feel that if such a human touch could be feasible and made practicable in the administration in the U. K. there is more necessity for encouragement of such human touch in the administration in India as generally the assessee public are not so advanced as in U. K. and deserve to be treated with an element of trusteeship which the administration have not disclosed in any of their dealings towards their assessee public. My Committee wish to add that this system of automatic repayment of refunds and dues in U. K. is not an innovation but a practice which was started after the last war. My Committee urge and hope that the system and procedure for recovery of refunds and reliefs will be liberalised to such an extent that it may approximate the practice of the same in the United Kingdom.

APPENDIX 30

Excess Profits Tax (Computation of Profits and Capital) Rules 1943

Letter No. 37 dated 6th January 1944 from Chamber to Finance Department, Government of India.

I am directed by the Committee of the Indian Merchants' Chamber to refer to Government Notification No. 10 dated 27th November 1943, publishing draft of certain rules seeking to provide

limits upto which payments of dearness allowance, bonus and commission shall be admissible as deductions for Excess Profits Tax purposes, and to send to you hereby their views on the same.

Before my Committee discuss the details of the draft rules under reference, they would like again to raise certain issues of fundamental importance arising out of the procedure adopted by Government in regard to this question. On 18th May 1943, His Excellency the Governor-General promulgated an Ordinance, viz. : Ordinance XVI of 1943 providing for—

(*a*) summary provisional assessment of E. P. T.;

(*b*) compulsory deposit under the scheme for Post-war refunds of 1/5th of E. P. T. assessed in a chargeable accounting period; and

(*c*) the making of rules to be applied in making E. P. T. assessments with regard to stock of raw materials, and bonus and commission paid to employees.

The draft rules under discussion are now being sought to be made under the powers vested in the Central Government by the amendments to E. P. T. Act made by the said Ordinance. In explaining the scope and the necessity for the Ordinance, the Central Board of Revenue, in their circular No. 8(10)EP/43 dated 22nd May 1943 observed that the main object of the measure in question was " to check evasion of E. P. Tax and to combat inflation." My Committee wish to point out significantly, that the Excess Profits Tax legislation of 1940 had nothing to do with inflation. A reference to the Statement of Objects and Reasons then appended to the Bill would confirm this view, as it was then clearly stated that " the object of the Bill is to secure for the Government a considerable portion of the additional business profits which accrue as a result of conditions prevailing during the war ". There was no question of dealing with the problem of inflation by any steps under the E. P. T. Act and the subsequent attempts of Government to restrict the freedom of discretion of employers in the matter of regulating their business needs and requirements in the manner contemplated by the above Ordinance and the present draft rules, are, to say the least, unwarranted.

It is also pertinent, in this connection, to refer to the discussion in the Central Legislature in October-November 1941 on the E. P. T. Second Amendment Bill. By that Bill, which was subse-

quently passed and placed on the Statute Book, Government added a new Rule 12 to Schedule I of the Act " designed to prevent the dissipation of Excess Profits by Expenditure that had no relation to the requirements of the business, the major part of the cost of which might be met out of the reduced taxation." It may be recalled that there was a good deal of discussion in the Central Legislature regarding the implications of the provision which was then explained to cover only what was termed to be " artificial or fictitious transactions." Opposition Members, particularly pointed out that no such additional powers were necessary as the powers enjoyed by the Income-tax Officers under Section 10(2)(xii) provided sufficient safeguards against extravagant expenditure of an abnormal character by payments of inflated bonuses, commissions or other kinds of remuneration. The Finance Member, at that time, gave specific and categorical assurances that the Government had no intention of interfering with any *bona fide* payments by way of increased allowances or bonuses to labour and other employees.

My Committee have thought it necessary to enter into a discussion of the past history of this question with a view to point out that after having assured the Legislature that they would not come in the way of any generous treatment of labour or other employees who were contributing to the increased prosperity of business or industry and that they intended only to prevent expenses of a questionable character, which the Hon'ble the Finance Member at one stage described as " funny business ", Government were not dealing with the Legislature or the country either fairly or squarely by arming themselves with additional powers by invoking the aid of the Ordinance making powers vested in the Governor-General. They cannot also help pointing out that it was quite improper to have made an amendment to the E. P. T. Act, a piece of legislation duly passed by the Central Legislature by the issue of an ordinance, without even subsequently getting the amendment ratified by the Legislature by a regular amending Act, and thereafter to proceed to make rules under powers vested by that ordinance. All this, in fact, amounts to taxation by executive fiat and Government have thrown to the winds all considerations of constitutional propriety in amending a tax law by the aid of an ordinance. Surely, the power of promulgating ordinances was not intended to be used in this manner for day to day administrative

purposes much less for enacting laws in matters concerning trade, commerce and industry.

My Committee are further advised that the draft rules framed by Government are in certain respects beyond the scope of Rule 12(3) of Schedule I, viz. : rule added by the E. P. T. Ordinance of May 1943. By the said rule the Central Government were empowered " to make rules for determining the extent to which deductions shall be allowed in respect of bonuses or commissions paid." There was therein no power for limiting dearness allowance and all the provisions in the draft rules under discussion which relate to limitations on dearness allowance as such are repugnant to the provisions of the main rule and therefore *ultra vires*. My Committee have noted that Government have sought to define dearness allowance as " bonus payable to any employee to compensate for the increased cost of living," and a cross definition of " bonus " is given as including any remuneration payable to any employee other than wages, salary or commission. Surely, Government cannot by giving any such arbitrary definition bring " dearness allowance " within the ambit of the restrictions envisaged under the main rule. Wages intrinsically and in reality include dearness allowances which are part and parcel of the wages which the worker earns and this has been established by the express provisions of the Workmen's Compensation Act, Payment of Wages Act, etc.,—the definitions of wages under which Acts include allowances such as dearness allowance, which can in no sense be called a bonus. They are, therefore, strongly of the opinion that Government are going beyond their powers in making any rules so far as limitation of dearness allowance is concerned.

It may also be significantly pointed out that although the English E. P. T. Act contains a provision analogous to Rule 12 of Schedule I of the Indian Act, no rules prescribing limits for payment of bonuses, commission, etc., have been actually framed or issued in that country. The Indian Act and the subsidiary provisions, in their fundamentals, are claimed to have been made on the model of the English law and my Committee see no justification why these restrictions are being applied in this country, where the worker—manual or otherwise—particularly in the lower scales is paid much below the levels in other countries, while in England it continues to be merely an enabling power.

In this connection, my Committee would like to invite a reference to their letter No. 1717 dated 10th June 1943 wherein they had conveyed their views on the issues involved in the proposals of Government in regard to restrictions on payment of bonus and commission, as also in regard to restrictions on holding of stocks. They had then emphasised that there was no justification for putting such limitations on the discretion of employers and businessmen. Without prejudice to their contention that the provisions in the draft rules are entirely unnecessary and are likely to lead to avoidable difficulties and hardship in practical working, my Committee would submit the following views and suggestions regarding modifications and changes necessary in the rules as drafted :—

In the first place, the limitations should not apply to any payments in the form of dearness allowance, bonus or commission on the basis of commitments or contractual obligations entered into between the employer and the employee prior to 18th May 1943, viz. : the date on which the ordinance authorising the regulation of such payments was first issued.

Rule 2(*ii*). "Bonus" should be defined to mean any remuneration *voluntarily paid or credited* to any employee. Any payment as part of any contractual obligations or under terms of employment should not come within the scope of the limitation contemplated in the rule. This sub-rule should, therefore, be amended as under :

> " 2(*ii*). ' Bonus ' means any voluntary remuneration paid or credited to any employee other than wages, salary or commission."

Rule 2(*iii*). The word ' bonus ' in this sub-rule should be substituted by the word " allowance." " Bonus " has already been defined under this rule *vide* Rule 2(*ii*) above, and as such if dearness allowance is defined to mean as "bonus payable " to any employee, the same would create confusion and complication. Therefore, this sub-rule should be amended to read as under :

> " 2(*iii*). " Dearness allowance " means any allowance payable to any employee to compensate for the increased cost of living."

Rule 3. By this rule, it is provided that bonus payable to any manual wage earner shall not exceed ¼ of the wages for the period in respect of which the payment is made, i.e., bonus shall not exceed

three months' wages approximately. It is very necessary in these days, particularly when the need for keying up production to the maximum capacity is imperative, to keep the workers satisfied, and large industrial establishments have adopted bonus schemes based on the working results of the industry during the previous year, and Government should not come in the way of employers giving adequate bonus to the workers with a view to securing more satisfactorily efficient labour. My Committee, therefore, suggest that the limit of 1/4 provided in this rule should be changed to 1/3, so that payments to the extent of about 4 months' wages as bonus will be permissible for taxation purposes.

Rule 4. The principle of paying dearness allowance to employees as compensation for the increased cost of living on account of the present abnormal conditions has now come to be accepted in almost all the countries. My Committee are, therefore, glad to note that Government in their proposals have recognised the factor that such allowance should be directly linked with, and proportionate to, the increased cost of living. It is, however, suggested that the rate of allowance should be linked to the changes in the cost of living, as disclosed by the Cost of Living Index published by the Provincial Governments and appropriate to the area in which the employee resides. In this connection, it is pertinent to point out that these indices are published on the basis of the family budgets of manual workers, which, for purposes of the said computation, are deemed to include only certain specified items. It is also to be recognised that the standard of living of the middle-class people, from which clerks and officers are drawn, is much higher than that of manual workers, and the procedure of applying a uniform test for measuring the increase in the cost of living for both the types of employees cannot be expected to secure satisfactory results. This would, therefore, justify payment of allowances at higher rates to non-manual employees. It is, however, necessary that Government should consider the desirability of standardising the basis of estimating the cost of living in different centres and rationalising the whole procedure in a manner which would reflect the exact changes occurring, from time to time, in the cost of living in the centres concerned.

Further, my Committee regret to note that the slabs of diminishing rates of allowance which are proposed in sub-rules (*i*), (*ii*), (*iii*) and (*iv*) of the Rule 4, do not meet the requirements of the situation. In the first place, Government are proposing to limit

the allowance to persons drawing wages or salaries less than Rs. 300. In the opinion of my Committee, persons drawing salaries higher than Rs. 300 are also equally entitled to relief in the present abnormal conditions, as the prices of many of the requirements of the said class of persons covered by income group of over Rs. 300 per month are not controlled. There is also another important aspect which seems to have been completely ignored by the Government in limiting the benefit of dearness allowance to incomes below Rs. 300. The sacrifices which the salary earners have been making by way of increased income-tax and super-tax which they have to pay to finance the war efforts of the country leave in their hands an amount of salary which actually comes to far less than what they used to have in the pre-war days. They have, therefore, to bear the double burden, viz. : increased taxation and increased amounts which they have to spend for their living in view of the allround increase in the cost of living. My Committee feel strongly that the dearness allowance should be allowed to be paid to all employees and workers on a regressively graduated scale without fixing any upper limit. Again, for persons earning Rs. 50 and under per month, the allowance should be to the full extent of the increased cost of living and the first slab of Rs. 25 proposed by Government should be changed accordingly. Thus, payments of dearness allowance should be authorised for taxation purposes on the following basis :—

Upto Rs. 50—An amount directly in proportion to the increased cost of living, i.e. the same basis as is proposed by Government under this rule upto a wage limit of Rs. 25.

From Rs. 51 to 100	Same as above on the first slab of Rs. 50,	*and* 80%	of the same proportion on the balance
101 to 300	—do—	60%	—do—
301 to 500	—do—	40%	—do—
501 to 1,000	—do—	25%	—do—
1,001 to 1,500	—do—	10%	—do—
Above 1,500	—do—	7½%	—do—

By a proviso to this rule, it is further stipulated that where the employer concerned arranges for distribution of food and other essential articles of consumption by the employees, the difference between the cash value of such articles of provision and their market value should be deemed to be dearness allowance. This is likely to lead to great hardship in practical working. For many of the articles,

it may not be possible to readily ascertain the market values, particularly on occasions when due to conditions of scarcity such values may tend to vary at frequent intervals. Generally, when such distribution is undertaken by employers, the same is done more or less on cost basis, and there would be no justification to enter into a further scrutiny into those transactions and to make an arbitrary estimate of the cash value of the advantages likely to accrue to the workers or other employees by virtue of these arrangements. In many industrial towns, the workers were practically saved from food famine by the timely arrangements made by employers in securing food supplies in advance and Government would be discouraging such voluntary efforts if they attach such impracticable conditions in the administration thereof, with the result that the smooth functioning of schemes of departmental distribution would be seriously upset. My Committee, therefore, are of the opinion that this proviso should be deleted.

Rule 5—Bonus to employees other than manual wage earners.

Under this rule an all-in limit has been prescribed for payments of both bonus and commission. In the first place, my Committee suggest that the two items of payment should be separated and independent limits prescribed for each.

So far as payment of bonus is concerned, it is provided by the draft rule that in the case of business which had a standard period twice the amount paid in the standard period should be allowed for payment as bonus—the said limit also includes payments by way of commission—in the chargeable accounting period; or 1 per cent of the profits computed for E. P. T. purposes, whichever is greater; and in the case of business which had no standard period, 1 per cent of the profits computed for E. P. T. Payments as above are, in the opinion of my Committee, extremely inadequate and do not meet the requirements of the situation. In many cases the period of years prescribed under the Act as standard years were not the years when business and industries generally were prosperous, and as the working results of such undertakings would not have justified adequate and reasonable payments by way of bonus in those years, it would involve a great hardship if Government were to limit the payment in the chargeable accounting period to twice the amount paid in the standard period. The basis of 1 per cent profits computed for E. P. T. is also very unsatisfactory. My Committee, therefore, suggest that an over-all proposal for a bonus of 4 months' salary should be

allowed, and the rule should be amended by the inclusion of a further alternative to that effect.

Rule 5—Commission. My Committee are opposed to any limitation on payment of commission; the rate and basis of such payments are governed by the terms and conditions of employment or services rendered. In any case, as they have observed in the previous paragraph, independent limits should be fixed for amounts paid as commission, and the limit for bonus and commission should not be lumped together and both these items should be treated separately. All payments arising out of any contracts entered into before 18th May 1943, viz.: the date of the Ordinance, should be excluded from the scope of the limitations and should, *ipso facto*, be allowed. Moreover, the limit of 1 per cent—in conjunction with bonus—suggested by Government is extremely low. My Committee suggest that payments upto 5 per cent of the profits computed for E. P. T. should be allowed as commission.

Apart from the proposals made above, it has to be remembered that commission is usually payable to highly paid staff like Managing Directors, Managers, etc., who get a salary plus commission. Where the amount of commission is a fairly high figure, as for instance Rs. 3 lakhs, Government may by virtue of the operation of Rule 5 recover more than 100 per cent of this amount in the shape of income-tax, super-tax and surcharge from the recipient on the one hand and excess profits tax from the employer on the other—admittedly hardly an equitable result in rules framed for the purpose of preventing the escape of excess profits tax legitimately due to the Government. This can best be explained by taking a concrete example :—

Illustration.	Rs.
Excess of permissible commission paid to a Managing Director in terms of Rule 5	3,00,000
Income-tax and super-tax including surcharge on Rs. 3 lakhs recovered from the employee either at source or otherwise	1,84,153
Nett E. P. T. disallowable in terms of Rule 5 at 40.97 per cent, (i.e. 66-2/3 per cent less income-tax and surcharge at company's standard rates on Rs. 3 lakhs)	1,22,910
Total tax recovered by Government	3,07,068

Such instances will not be rare now-a-days.

Moreover, the employer will have to pay as a compulsory deposit 20 per cent of the amount of E. P. T. and the aggregate burden will work out much higher.

Proposal. Government shall in no event by the operation of Rule 5 recover from both the company and the employee or employees 80 per cent of the item of commission or the income-tax, super-tax and surcharge payable by the recipients, whichever be the greater.

To continue with the above illustration, Government will have to refund in the case in point the difference between Rs. 3,07,063 and Rs. 2,40,000 (80 per cent of 3 lakhs,) i.e. Rs. 67,063. This refund should be made to the company.

The E. P. T. liability is proposed at 80 per cent, because that is the normal tax recovered by Government for both E. P. T. and income-tax, surcharge and corporation tax from a company. In the case of individuals this percentage may be varied having regard to the scales of tax payable by such individuals.

This proposal will seek to redress the excess tax recovery which results in favour of Government in cases such as the one illustrated above. It leaves untouched the Employee's liability to income-tax, super-tax and surcharge.

Furthermore, a special provision should be added to Rule 5, on the lines of the provision in the third proviso to Rule 6 that where the officer concerned is satisfied that owing to special circumstances payments by way of commission or bonus over and above the scales prescribed are necessarily made for the requirements of the business concerned, the same should be allowed for tax purposes.

Certain special payments. My Committee would also in this connection bring to the notice of Government, certain payments of a special character which have to be made by industrial and other undertakings in these days to their employees in view of the special risks or hazards to which their employees are exposed owing to the existence of war circumstances. For instance, shipping and certain other undertakings have to pay, in addition to the basic salary, war risk money, differential payments, allowance to shipwrecked seamen, short-hand-money, etc., under the present conditions of hostilities. My Committee have, no doubt, that it will be recognised and agreed that such payments, in addition to the basic salary, cannot be treated

as " dearness allowance " and cannot form part of the term ' bonus ' even as defined by Government. These are special payments made, in addition to the basic salary, under conditions created by the war and my Committee have, therefore, to request Government to make it clear that such payments will be allowed to be treated as part of the salary paid to the employees as they have been done hitherto. Such payments are usual in industries such as steel and shipping which are very largely concentrated on work of very great importance to the war effort, and are made with the sole purpose of compensating labour for the extra risk of service in times of emergency and crises.

Rule 6—Trading stocks and stocks of raw materials.

The limits proposed by Government in this rule in regard to the extent of stocks of raw materials and trading stocks which could be kept by an assessee for purposes of computing capital are, in the opinion of my Committee, highly inadequate. The assumption underlying the proposed rule that there is a constant and uniform relation between stocks and turn-over from year to year is wrong, and it is particularly so during the present abnormal conditions. There is considerable disorganisation in the transport services available in the country, and in view of the known difficulties for getting regular supplies in time, it would be but part of prudence for industrialists and businessmen to keep larger stocks to enable them to pursue their operations without any interruption. Moreover, many of the materials required are under control, and the sanction of some governmental authority has to be obtained in such cases for securing movement of supplies. It is known, for instance, that the system of Controlled Stock yards which has recently been put into force for steel material has resulted in the building up of large stocks with the controlled stock yard which are directly under the control of Government acting through the Steel Control organisation and all sales and purchases of such stock yards can only be made subject to the directions of Government. Similarly ship yards and factories on war work, etc., have to carry much larger stocks of materials than in normal times. In the case of imported raw or manufacturing materials, in view of the known difficulties connected with shipping and also getting timely replenishments from supplying countries, the need for building reserve stocks cannot be overlooked. Having regard to all these considerations, it is necessary to concede that the relationship between stocks and turn-over in the standard

year cannot meet the requirements of the situation in the chargeable accounting period.

My Committee, therefore, submit that the proposals of Government in regard to stocks should be altered. They suggest that for purposes of any limitation, stocks of raw materials and trading stocks should be taken together and the proportion should be worked out on a composite basis. A weightage to the extent of 25% in excess of the standard period percentage should be allowed for the chargeable accounting period to meet the conditions created by irregular supplies, lack of shipping, transport difficulties, etc. Moreover, for purposes of this rule, stocks frozen under orders of Government should be computed in capital and should also, at the same time, be excluded in calculating the proportion.

In conclusion, my Committee urge that the rules in question should, in any case, apply only to chargeable accounting periods commencing after 1st April 1943. It is hoped that Government will be pleased to give due consideration to the above views and suggestions of my Committee and to make necessary modifications and changes in the rules under reference.

APPENDIX 31

Income-tax and Excess Profits Tax (Validating of Notices) Ordinance 1944

Letter No. 2188 dated 1st November 1944 from Chamber to Central Board of Revenue, Government of India.

My Committee have carefully considered the Income-tax and Excess Profits Tax (validating of notices) Ordinance, 1944, being Ordinance No. 45 of 1944, promulgated by the Governor-General in pursuance of the powers vested in him under Section 72 of the Government of India Act and are of the opinion that apart from the question whether it is competent to the Governor-General to promulgate such an Ordinance under said Section 72, the consequences of promulgating such an Ordinance are of a very far-reaching character and are likely materially to affect the commercial community of India as will be explained hereafter.

Recently, the High Court of Bombay held that under Sections 22(2) and 34 of the Indian Income-tax Act, the Income-tax authorities are bound to give *thirty clear days'* notice to the Assessee

requiring him to make a return of his income and that if such a notice is not given, it is invalid and the return made in pursuance thereof is also invalid. With a view to nullify the effect of this decision, the Governor-General has under the advice of his legal department promulgated the said Ordinance.

My Committee are of the opinion that although the Ordinance-making power of the Governor-General is co-extensive with that of the Central Legislature, it can only be exercised in *an emergency and for the peace and good government of the country*, and that it is not competent to the Governor-General to promulgate the said Ordinance with a view to remedy or remove doubts as regards validity of notices issued by the Revenue authorities which notices were entirely against the terms of the statute under which they were issued.

My Committee further submit that by reason of the said decision of the Bombay High Court, no emergency has arisen which entitles the Governor-General *to promulgate an Ordinance of this character for the peace and good government of the country*. In the opinion of my Committee, the words " peace and good government of the country " were advisedly inserted in the said Section 72 so as to limit the powers of the Governor-General to issue an Ordinance in an emergency which would disturb the peace and good government of the country.

In the circumstances stated above, my Committee are advised that the said Ordinance is *ultra vires* and cannot be enforced in a Court of Law.

Apart from the validity of the said Ordinance on grounds stated above, my Committee are surprised to find that the said Ordinance is given a retrospective operation in civil as well as criminal matters. The result is that an act which was not an offence or was not considered to be penal before the passing of the said Ordinance is by the terms of the said Ordinance made an offence or considered to be penal. In short, an act, which was innocent when it was committed, is deemed to be an offence and the person comitting the same is to be punished, although according to the law for the time being in force at the time of the commission of the said act, it was not an offence at all.

While it is conceded that in certain events laws made justly and for the benefit of the community and also of individuals relate

to a time antecedent to their commencement. Every law that is to have an operation before the making thereof, or to commence at an antecedent time, as to save time from the Statute of Limitations, or to excuse acts which were unlawful and before committed, and the like, is retrospective. But such laws may be proper or necessary, as the case may be. There is a great and apparent difference between making an unlawful act lawful and the making an innocent action criminal and punishing it as a crime. [Vide (1870) 6 Q.B. at page 26].

Sir John Beaumont in a case reported in 42 Bom. L. R. 814, (*Emperor* vs. *Dantes*) observes as follows :—

> " It manifestly shocks one's sense of justice that an act legal at the time of doing it shall be made unlawful by some new enactment."

Similar observations were used by Lord Coleridge C. J. in a case reported in (1891) 2 Q.B. at page 145, which are as follows :—

> " It seems to me a very strange thing to hold that a defence which was open to a man at the time he did the act is or has been taken away by the retrospective operation of a subsequent statute."

Although it may be conceded that the Legislature has supreme power of making the laws and of giving them a retrospective effect both in civil as well as in criminal matters, my Committee are advised that it is not competent to the Governor-General to promulgate an Ordinance under Section 72, giving it a retrospective effect not only in civil matters but also in criminal matters. It is difficult to find a precedent of this type of legislation in any civilised country giving a retrospective operation to acts innocent at the time of commission by making it criminal by a subsequent legislation and punishing the doer of the act. To the best of information of my Committee, such a legislation has never been enacted in any part of the British Empire.

In the circumstances aforesaid, my Committee approach His Excellency the Governor-General with a request that the said Ordinance may be withdrawn from operation. In any event, my Committee submit that suitable alterations may be made in the said Ordinance so as not to make it retrospective in criminal proceedings.

Letter No. C. No. 45(81)|I.T. *dated* 1st *December* 1944 *from Central Board of Revenue to Chamber.*

In reply to your letter No. 2188 dated the 1st November 1944 regarding the Income-tax and Excess Profits Tax (validating of notices) Ordinance, 1944 (No. XLV of 1944), addressed to the Secretary to the Government of India, Finance Department, I am directed to say that the Central Board of Revenue do not propose to enter into a discussion of the propriety or validity of the Ordinance in question. The Board will, however, appreciate if the actual nature of the criminal proceedings as a consequence of the promulgation of the Ordinance, about which fear is entertained by your Chamber, were elucidated in greater detail.

Letter No. 544B *dated* 23*rd February* 1945 *from Chamber to Central Board of Revenue.*

My Committee have considered the contents of your letter C. No. 45(81)—IT/44 dated the 1st December 1944.

The Ordinance provides that a notice expressed in the terms mentioned in the Ordinance shall not " be called in question or be deemed to be, or at any time to have been, invalid for any purpose whatsoever (including any proceedings, criminal or otherwise)." By virtue of this provision in the Ordinance, the Committee of the Chamber apprehend that grave injustice and hardship will be caused to individual assessees in the following, among other, cases :—

(*a*) Notwithstanding the patent invalidity of such a notice criminal proceedings may be or may have been instituted by the Income-tax Authorities under Section 51 if a person fails, or has in the past failed, to furnish his return under Section 22 and it will not be a defence for such a person to state that he did not submit the return for a " reasonable cause " and that the reasonable cause was the invalidity of the notice served on him, since the Ordinance expressly states that such a notice shall not be called in question.

(*b*) For purposes of Section 52 proceedings may be instituted against an assessee for any untrue statement in a return although the notice, which is the foundation of the proceedings, as a result of which the return was made, was invalid as it did not give the assessee the time required by Section 22 to file such a return.

(*c*) For purposes of Section 28 it is open to the Income-tax Authorities to proceed to levy a penalty on the strength

of such an invalid notice, and here again the assessee cannot plead "reasonable cause," because the notice cannot be called in question for any purpose whatsoever.

(*d*) For purposes of Section 37 proceedings instituted under Section 193 and 228 of the Indian Penal Code will be validated notwithstanding that the basis of all such proceedings will be the invalid notice issued by the Income-tax Authorities under Section 22. In this connection it is to be remembered that the Income-tax Officer is not a *Court ab initio*. He is merely invested with the powers of a Civil Court for a specific purpose, viz., the provisions of Chapter III and, therefore, his whole jurisdiction to exercise the powers of a Civil Court for the purpose of that Chapter is based on the issue of a notice under Section 22.

My Committee respectfully point out that all taxing statutes under a universally recognised rule of law are to be construed strictly against the Crown and in favour of the subject. The Ordinance in question not merely proposes to reverse this rule of law, but goes much further in validating proceedings not merely for the purpose of civil cases, but in all criminal cases also. We submit that it is for the Central Board of Revenue to establish that great hardship and injustice will be caused to the public revenues or to the State unless criminal proceedings, which are otherwise invalid *ab initio*, are validated by the issue of this Ordinance. My Committee feel justified in stating that not merely is this not the case, but in the Statement of Objects and Reasons to the Ordinance there has not been the slightest suggestion to this effect. There is no precedent for an Ordinance of this nature granting retrospective effect in criminal proceedings either under the British system of laws, or under the system or laws of any other civilised State. On the other hand, it is quite contrary to all principles of British and British Indian jurisprudence. The examples quoted above are merely illustrations as it is not possible within the ambit of a letter to explain innumerable individual cases of hardship which must necessarily arise if Government choose to act in accordance with the provisions of the Ordinance.

It is also respectfully submitted that it is not open to Government to state that they will not exercise the powers given by the Ordinance in cases causing hardship. The very fact that the Ordinance has been promulgated giving retrospective operation for pur-

poses of criminal proceedings must mean that the Income-tax Authorities propose to exercise to the fullest the powers given under that Ordinance in respect of pending and proposed criminal proceedings.

The effect of the Ordinance is that not merely is a perfectly legitimate and sound defence available to the tax-payer taken away from him, but a perfectly innocent act under the Income-tax Act as it existed at the time when the act was performed is converted into a guilty act by virtue of the operation of the Ordinance. The highest Tribunals, viz., the House of Lords and the Privy Council have more than once expressed the view that every man is entitled to so arrange his affairs so that he avoids or reduces the incidence of tax on his personal fortunes. So that all measures adopted by the individual to avoid or reduce taxation is perfectly legitimate. It follows that any individual who has been called upon by an invalid notice to comply with the provisions of a statute is entitled to refuse to comply with such invalid notice. The Ordinance, however, has cut the ground from under the feet of such an assessee and will penalise him where no penalty previously existed. The Ordinance not only militates therefore against the *constitutional law* by giving retrospective effect to criminal proceedings but perpetrates the wrong action of the administrators of the Act and moreover permits conviction of an innocent act for no fault of the tax-payers.

My Committee strongly urge upon Government that even at this stage steps should be taken to rectify the Ordinance by omission of the harsh provisions indicated above; or, at all events, the Central Board of Revenue should issue immediate instructions that notwithstanding the existence of the provisions criminal proceedings should not be instituted or continued in cases where these depend on the issue of such invalid notices as are mentioned in the Ordinance.

APPENDIX 32

Issue of Capital

Letter No. 180 dated 24th January 1944 from Chamber to Examiner of Capital Issues, Finance Department, Government of India.

The Zenith Chemical Works, Ltd., a member company of this Chamber, has forwarded to my Committee copies of the correspondence

with you, ending with your letter No. D/502-ECI/43 dated the 15th October 1943 regarding their application for permission under the Defence of India Rule 94A for the issue in British India of the necessary capital required by the company. The facts of the case may be briefly stated.

The firm was started in the year 1918. Early in the year 1943 it was decided to convert it into a private limited company and the necessary Memorandum and Articles of Association were executed on 30th April 1943. They were filed with the Registrar of Companies on 15th May 1943. It was proposed to issue 600 shares of Rs. 100 each, Rs. 50 being called up immediately. The amount of the share capital subscribed by 8 of the shareholders was collected and provisionally deposited in a Banking Account opened in the names of two of the members. The registration of the company took place on 22nd May 1943 and the meeting of the First Directors was held on 27th May.

As in the meanwhile the Ordinance relating to control of capital issues came into force, the necessary application for permission to allot the shares to the subscribers in question was made to your Department. Unfortunately, the permission has not been granted; no particular reasons have been assigned for the refusal.

When the announcement regarding the proposal of Government to control issue of fresh or new capital in the country was made, Government were anxious to assure the public that the proposal would not come in the way of *bona fide* efforts to reorganise existing undertakings or to promote necessary and essential industries in the country. The measure was intended mainly as a check on undue advantage being taken of the existing financial position to promote undertakings or concerns which are intrinsically not sound and which did not serve any immediate purpose from the point of view of the country. My Committee venture to submit that in so far as the case of the applicants under reference is concerned, it is an undertaking which has already been in existence. The present opportunity is only being taken to reorganise it and to put it on a sound and proper basis. Moreover, the capital involved is also not much, viz.: 600 shares of Rs. 100 each, of which only about Rs. 30,000 to be immediately called up. The company is engaged in the manufacture of chemical and pharmaceutical products. These products, it will be agreed, are essential from the point of view of the country both in the present emergency and in normal times.

Having regard to the foregoing considerations, it is hoped that Government will be pleased to reconsider the matter and to accord to the company the necessary sanction for the issue of the capital in question.

Letter No. D.(502) ECI *dated 17th February* 1944 *from Examiner of Capital Issues to Chamber.*

With reference to your letter No. 180, dated the 24th January 1944, I am directed to say that, subject to the conditions mentioned below, the Government of India give their consent under Defence of India Rule 94-A to the proposed issue in British India by Zenith Chemical Works Ltd., a private company registered in the Province of Bombay of capital to the value of Rs. 60,000 (Rupees sixty thousand) as follows, viz. :—

600 shares of Rs. 100 each.

2. I am to make it quite clear that the grant of consent to this issue of capital represents no commitment of any kind on the part of the Government of India to render assistance in the matters of priorities or licences for supplies of raw materials, machinery, steel, etc., of transport facilities and of other governmental assistance.

CONDITIONS

1. No action shall be taken towards the conversion of this company into a public company in accordance with the provision of Section 154 of the Indian Companies Act without the previous approval of the Central Government.

2. The authority conveyed in this letter will lapse on the expiry of six months from the date of the letter. Within one month of the date when the authority so lapses, the company must forward to the Examiner of Capital Issues a report of the action taken under the authority and of the amount of capital raised as a result of such action.

3. This letter must be produced at the time of presentation of documents for registration or stamping.

4. The proceeds of this issue must not, without the further permission of the Central Government, be used for any object of expenditure than those described in the application to which this order relates.

N.B.—If action is taken in pursuance of this consent and if the company subsequently violates any condition attached to the

consent, an offence will be committed by virtue of sub-rules (2-A) and (6) of Defence of India Rule 94-A.

APPENDIX 33

Allowance in Assessing Business Income — Loss by Embezzlement or Theft*

Circular No. 13 of 1944 C.N. 27(29) I.T. *dated 24th May* 1944 *from Central Board of Revenue to Chamber.*

Attention is invited to the Board's Circular No. 25 of 1939, dated 17th August 1939, in which, following the principle set out in the U. K. case of *Curtis* vs. *J. and G. Oldfield Ltd.* (9 T.C. 330), instructions were laid down regarding the allowance of losses arising by theft or embezzlement by employees.

2. It has since been represented that these instructions do not go far enough and that a loss arising by theft by outsiders or through negligence of employees would not be allowed under these instructions. The Board considers that on the principle recognised in the Circular quoted above, losses arising by theft of cash by outsiders or due to negligence of employees should also be allowed *if the loss took place in the normal course of business and/or the amount involved was necessarily kept for the purpose of the business in the place from which it was lost.* It is impossible to lay down a more precise test than the general one which would apply to all cases and each case must be dealt with on its own facts and circumstances. In applying the general test care should, however, be taken to see that the claim is *bona fide* and that there is unimpeachable evidence to support the actual loss. *Where the Income-tax Officer is not fully satisfied on these two points the claim should be refused.*

APPENDIX 34

Increase in Court Fee Stamp Duties

Letter No. 3335 *dated* 31*st December* 1943 *from Chamber to Finance Department, Government of Bombay.*

The attention of my Committee has been drawn to Act No. XIV of 1943, viz. : the Bombay Increase of Stamp Duties Act, and

* For previous correspondence on the subject, please see Report 1943, page 234.

Act No. XV of 1943, viz. : the Bombay Increase of Court Fees Act, published in the *Government Gazette* dated 29th December 1943. Under the Increase of Stamp Duties Act a surcharge of 50 per cent has been added to the Stamp duties leviable under the Indian Stamp Act in its application to the Province of Bombay, other than those leviable in respect of Bills of Exchange, Cheques, Promissory Notes, Bills of Lading, Letters of Credit, Insurance Policies, Proxies and Receipts. Under the second Act, a surcharge of 25% is added to fees leviable under the Court Fees Act of 1870 in its application to the Province of Bombay.

My Committee wish to record their strong objection to the procedure adopted by Government in this regard. The Acts in question are published for the first time on 29th December 1943 and the new levies are to come into force from 1st January 1944, without giving adequate notice to the public and without affording any opportunity to representative commercial organisations like this Chamber to place before Government their views and suggestions in regard to the proposals.

The legislature in the Province is not functioning and such enactments are made under the special powers vested in His Excellency the Governor. Under the peculiar circumstances, it is all the more the responsibility and duty of the Government of Bombay to elicit public opinion on all such measures and to give sufficient time and opportunity for public interests to express their views and suggestions on the same. It would have been more proper and in the fitness of things, if Government, before enacting the measures in such haste, had circulated the draft proposals to public bodies and asked for their views on the same.

Furthermore, such taxation measures should more appropriately be introduced, with effect from the beginning of the financial year, as used to be the practice in the past. The introduction of such measures at the fag end of the year and their almost immediate enforcement causes avoidable hardship and inconvenience to the taxpayers.

It is also an accepted principle of taxation that no more taxes than are necessary for governmental needs are to be collected from the people. So far as the information of my Committee goes, the finances of the Provinces are in a sufficiently good condition and no additional revenues are necessary to make up current expenditure,

Without, therefore, disclosing any budget deficit, even on accepted principles of taxation, Government cannot impose any such additional levies during the course of the year.

Having regard to the foregoing considerations, my Committee respectfully urge upon His Excellency to be pleased to hold the above measures in abeyance, and in the meanwhile circulate the proposals for eliciting the opinion of commercial and public interests. They hope that their suggestion will be accepted and that Government will not proceed to collect the duties and fees at the enhanced rate.

Letter No. 9326-A dated 10th January 1944 from Finance Department to Chamber.

With reference to your letter No. 3335 dated 31st December 1943, on the subject mentioned above, I am directed to state that Government regrets that it is unable to accept your suggestion.

APPENDIX 35

Proposed Duty on Export of Cotton Textiles

Telegram dated 6th July 1944 from Chamber to Commerce Department, Government of India.

Committee Indian Merchants Chamber are greatly perturbed at the information that the Government of India propose to levy a cess of 3 per cent on exports of all cotton textiles. The 3 per cent cess is not a cess it is a duty. Committee have always strongly opposed imposition of duty on exports of articles from the country. It is wrong in principle to advocate a cess or duty on exports as it will create a precedent for the future. It is also wrong for the textile industry to make exporters to collect the cess from their overseas clients for the research of the industry. It will chiefly affect Bombay merchants who are exporting textiles. It will create illwill amongst our overseas buyers who are now compelled to buy their textile requirements from India. It may also induce retaliation from countries which are supplying wheat and other foodstuffs to India at present and may lead thus to a serious food situation in the country. Whenever there is an excise duty levied there is rather a rebate given on exports and therefore the principle of levying an export cess is to be condemned. Committee strongly urge that under all these considerations the Government of India will be pleased not to levy any export cess or duty on cotton textiles.

Letter No. 67-C.W.88|44 dated 29th September 1944 from Commerce Department, Government of India, to Chamber.

I am directed to invite a reference to your telegram dated the 6th July 1944 on the subject of the export duty on ' cotton piece-goods ' and ' yarn ' the levy of which has been provided for by Ordinance No. XXXIV of 1944, published in the Gazette of India Extraordinary, dated the 8th July 1944.

2. I am to say that the Government of India have carefully considered the points mentioned by you and that they will be prepared, if at any time it is found that the export trade is prejudicially affected by the levy of the export duty, to consider the question of reducing the duty or removing it altogether. They feel, however, that in view of the facilities that are being afforded to the consuming countries to obtain supplies at controlled prices, the latter should not object to the levy of a small duty for an essential purpose.

APPENDIX 36

Set off of Losses

Letter No. 1238 dated 22nd June 1944 from Chamber to Central Board of Revenue.

My Committee are informed that under Section 24, which deals with set off of losses, losses, in regard to which no return had been made and consequently not determined, were not allowed to be set off against profits in subsequent years, without the approval of the Department. The procedure of not allowing set off of losses under the above circumstances without the consent of the higher authorities, causes delay in assessments and consequent hardship to the assessees. It is suggested that the law should be made clear in regard to set off of losses where the same were not determined by a specific return on the part of the assessees. It is hoped that due consideration will be given to the above difficulty and necessary steps will be taken to remove the hardship.

Letter No. 4(16) I.T. dated 14th July 1944 from Central Board of Revenue to Chamber.

With reference to your letter No. 1238 dated the 22nd June 1944 regarding determination and set off of loss of a year in which no return under Section 22 is filed by the assessee, I am

directed to enclose herewith a copy of the Boards' Circular No. 23 of 1941 on this subject.

2. I am to add that the attention of the Commissioner concerned should be invited to any cases in which the instructions are not being followed by the Income-tax Officer.

An assessee who sustains in any year beginning with the previous year for the assessment year 1939-40, a loss of profits or gains chargeable under Section 10, is entitled under sub-section (2) of Section 24 to carry forward so much of the loss as cannot be set off against the income under other heads, with a view to its set off in the following year or years (as the case may be) against income from the same business, profession or vocation. The question has arisen as to the point of time when the loss to be thus carried forward is to be determined with a view as to its availability to the assessee for set-off in subsequent years. From sub-section (3) of Section 24 and the recommendation on page 50 of the Enquiry Report, 1936, on which this is based, the intention is clear that the loss should be determined in the appropriate assessment year and that it should be notified to the assessee who is given the right of appeal against such computation of loss. This procedure should be followed normally as it is very much more desirable that the loss is determined in the appropriate year when the facts are readily ascertainable. Where, however, for any reason the loss is not determined in the appropriate year, the Board considers that subject to the provisions of Section 24, an assessee should not be debarred from claiming it in the year in which his income falls to be determined for the purpose of assessment. When such a claim is made, the income of the first relevant year of loss and the subsequent intervening years, if any, should be computed according to the provisions of law, with a view to determining the loss which is to be set off against the profits from the same business or profession. In computing the income or loss of preceding years, the carry-forward of loss admissible under Section 24(2) should be kept separate from any unabsorbed depreciation which should be dealt with under the proviso (*b*) to Section 10(2)(vi). If in determining the loss of any preceding year, the computation reveals the existence of any profit in that year, which can be assessed under Section 34, the Income-tax Officer should take necessary action accordingly.

APPENDIX 37

Section 23(a) of the Income-tax Act—Definition of the term Public Company

Letter dated 14th June 1944 from Central Board of Revenue to Chamber.

"The words "in fact" in the expression "in fact freely transferable" occurring in the explanation to Section 23A(1) are important and indicate that it is open to the company to establish that notwithstanding the power to refuse transfer of shares vested in the Directors by the Articles of Association, transfer of shares was not refused. The actual facts and not the Articles of Association would thus be the criteria to be taken into account in deciding whether a company is a public or private one."

APPENDIX 38

Requisitioning of Machinery for Government Requirements

Letter No. 693 dated 14th April 1944 from Chamber to Department of Supply, Government of India.

Messrs. Mahomedally Tajbhoy have forwarded to my Committee the correspondence they had with the Director-General of Shipbuilding and Repairs, Bombay, as also with the Secretary, Department of Supply, Government of India in connection with the price of a second-hand pump requisitioned by the authorities sometime in September 1943. The facts of the case may briefly be stated thus :

Messrs. Mahomedally Tajbhoy are dealing in second-hand machinery since a long time. The Government of India, in pursuance of sub-rule 1 of Rule 75-A of the Defence of India Rules requisitioned one vertical Manchester Duplex steam-pump (second-hand), the cost of which was Rs. 3,800. The requisitioning Authority offered Rs. 1,850 for the type of pump mentioned above. The firm, however, in question refused to part with the article, as its original cost together with the necessary expenses amounted to Rs. 4,500. In September 1943, the D. G. S. R. served a requisitioning order No. T. 70(135)15818, calling upon the firm mentioned above to hand over the pump to Messrs. G. I. Dixon & Co., Ltd., for refit and repair, which was accordingly done by Messrs. Mahomedally Tajbhoy. Subsequently, some correspondence ensued between the Director-General of Shipbuilding and Repairs and the Firm in question in connection with the payment of the amount. It is understood that the Government of

India have now offered Rs. 1,250 as the price of the pump, which, evidently, is too small an amount considering the price at which the Firm had purchased the pump.

My Committee realise that it could not be the intention of the authorities to put the Firm in question into a substantial loss, but that the subordinate officers who have fixed this amount have not taken into consideration all the relevant facts connected with this case. While computing the price of the pump, my Committee feel, the authorities seem to have calculated the price of the article on the basis of the price list of the manufacturers at the time when the manufacturers were unable to export a single piece from England to this country and at a time when Price Control was not in force for articles of this nature. In view of the facts stated above, my Committee feel that the basis on which the authorities have fixed the price of the pump, viz. : Rs. 1,250 is not reasonable and that in fairness and equity the authorities should pay Rs. 4,500 being the fair price of the pump calculated as under :—

Cost of the pump	Rs.	3,800
Profit at 10 per cent	,,	380
Collection, Delivery and Overhead Expenses	,,	95
Selling Agents' Commission on Gross ...	,,	225
Total	Rs.	4,500

My Committee, in conclusion, request the authorities to make an early payment to Messrs. Mahomedally Tajbhoy and thus settle the transaction at an early date.

Letter No. WIII-17(132) dated 19th June 1944 from Supply Department to Chamber.

In continuation of this Department letter No. WIII-17(132) dated 1st June 1944, I am directed to say that the Government of India is, satisfied that the compensation of Rs. 1,250 for the second-hand Vertical Manchester Duplex steam-pump which was requisitioned from Messrs. Mahomedally Tajbhoy, Bombay, is not unreasonable having regard to the current price of a new pump, if imported, and to the cost of carrying out necessary repairs to the requisitioned pump which are estimated at Rs. 4,000.

III. TRADE, INDUSTRIAL AND LABOUR LEGISLATION

APPENDIX 39

Bill to amend the Indian Trade Union Act

Letter No. 699 dated 30th March 1944 from Chamber to Commissioner of Labour.

I am directed to refer to your letter No. 1004 of the 1st February 1944, on the above subject, and in reply forward to you the views of my Committee on the proposed Indian Trade Unions (Amendment) Bill.

My Committee would like to emphasise, at the outset, that the present times are not at all suitable for a proper consideration and the putting on the statute book any social legislation for the welfare of the workers. The attention of the industrialists is at present directed to the promotion of the war effort and so the consideration of all such matters should be postponed till after the war when the normal conditions are restored.

My Committee are entirely opposed in principle to any legislative proposal which would statutorily compel the employers to recognise the Trade Unions. Whenever it is found that a Trade Union is sufficiently well organised and genuinely represents the workers in any industry, the employers generally recognise it and negotiate with it in all matters affecting the interests of the workers. There is, therefore, no necessity for statutory provisions for the compulsory recognition of Trade Unions by the employers. So far as the Province of Bombay is concerned, the Bombay Industrial Disputes Act already provides a suitable machinery for the settlement of disputes between the employers and the workers, which is the aim of the proposed draft Bill as shown in the Statement of Objects and Reasons appended to it.

If, however, in spite of the abovementioned objections, Government intend to proceed with the legislation for statutory recognition, my Committee suggest that the minimum membership of the workers from the industry or the factory concerned in the Trade Union should be at least 70 per cent of the total number of workers in each such industry or factory. Such a limitation is necessary for the healthy promotion of genuine trade unionism in this country.

It is not at all fair to compel the employers to recognise a union which does not truly represent the workers employed by them.

As regards the details of the various provisions in the sections of the Bill, my Committee are in entire agreement with the views expressed by the Bombay Millowners' Association, in their representation to you, a copy of which has been forwarded to the Chamber. My Committee also request that in case the Millowners' suggestion for the establishment of a Court for the recognition of Trade Unions is not acceptable, the functions and duties to be discharged under the provisions of the Bill by the proposed tripartite Board of Recognition or the Registrar should be discharged by the said Board only and that the references to the Registrar should be omitted.

My Committee further request that in order to make the provisions of the law very clear, it is essential that all the important terms relating to the proposed legislation should be specifically defined and should be embodied within the Bill. It is also desired that the rule-making power should not be vested in the executive. The rules are generally an essential part of law and so the rules in connection with the Bill should be framed simultaneously and placed before the legislature for their approval in order to obviate any difficulties that may arise at any later stage.

In order that the Trade Union Movement in this country may progress in the right direction, it is essential that the executive of a Trade Union should really represent the workers and so my Committee request that one of the conditions governing the recognition should be that the executive of any Trade Union should not include more than 5 per cent of non-workers.

In conclusion, my Committee hope that the above views will be given fullest consideration by Government.

APPENDIX 40

Bombay Growth of Food Crops Bill, 1944

Letter No. 983 dated 22nd May 1944 from Chamber to Revenue Department, Government of Bombay.

I am directed to refer to your letter No. 7133-A/39 of the 29th April and to send to you hereby the views of my Committee on the provisions of the Bill to provide for the regulation of cultivation of crops with a view to growing more food crops in the Province

of Bombay. They would, in this connection, like to make some observations of a general character before they deal with the proposals embodied in the Bill.

The problem of supplying the necessary foodgrains to the population of the province has indeed received a good deal of attention lately particularly after the difficulties experienced during the course of the last year. Bombay is a deficit province; she has to depend on other sources of supply for supplementing her needs and requirements of foodgrains. In a Press Conference held on 9th May 1944, Mr. H. F. Knight, Adviser to His Excellency the Governor of Bombay, mentioned the fact that during the year 1942-43 the deficit in the province was estimated at six lakhs of tons and that the imports amounted only to 3,58,000 tons. The public would have been assisted in a correct appreciation of the position if the corresponding figures for 1943-44 had also been given. At any rate, it is obvious that Bombay continues to be a deficit province and that notwithstanding the efforts which were made to increase production by the "Grow More Food" campaign, the results have not been such as to induce a greater measure of confidence in the supply position. My Committee, therefore, agree with Government that it is necessary to devise ways and means of increasing the cultivation of food crops in the province in an organised manner.

They would, at the same time, like to emphasise that in order to give the necessary stimulus in that direction, certain steps which are in the nature of pre-requisites should also receive equal, if not greater, attention. In the first place, increased cultivation presupposes increased facilities and favourable circumstances for the same. Cattle still continues to be the main motive power for agricultural labour and operations. My Committee have been viewing with concern the deterioration in the cattle wealth position of the country, one of the main causes for which has been the indiscriminate slaughter of prime and useful cattle. Although this matter has been taken up by my Committee with Government separately and although certain restrictions have been imposed in the matter, they regret to have to record that the results achieved have not been such as to bring about a reassurance in the public mind. Complaints about slaughter of protected varieties of cattle are still being received. In order to end this state of affairs, it is necessary to enact that slaughter of cattle below the age of 15 years should be made a penal offence.

The agriculturist will be able to maintain cattle in required numbers and of sufficiently good breed and strength only if he is in a position to get the necessary cattle feed at economic rates. There is a shortage of fodder and side by side with measures for improving cultivation of food crops, the question of increasing the supply position in fodder should also receive attention. The maintenance of the requisite number of cattle by the agriculturists will be dependent on a large extent to facilities and arrangements for the supply of fodder in adequate quantities and at economic rates. This naturally necessitates an assisted programme of increasing fodder cultivation and supply and while my Committee do not, at this stage, wish to suggest any compulsory provision for a proportion of fodder cultivation, they would like to emphasise that this matter also should receive due consideration at the hands of Government and that all possible measures for increasing the supply of fodder should be undertaken.

The most important step, however, is to offer substantial inducements to the agriculturists and to make it worthwhile for them to concentrate on increasing the cultivation of food crops. In the years of depression the agriculturists suffered most. This naturally led to a preference for developing cultivation in cash crops and if the process is now to be reversed back, the agriculturists must have the necessary incentive to do so. My Committee submit that a remission of two annas in the land revenue per rupee as proposed by Government is not likely to make the necessary appeal to the farmer and it would be desirable to consider assistance and relief to him in a more substantial manner. In the opinion of my Committee, the time has arrived when Government should actively consider as to how far it is possible to undertake direct subsidisation of the cultivation of food crops, at any rate, for the duration of the present emergency.

By far the most direct inducement, however, would be an assurance to the agriculturist of a fair, even liberal, price for the product of his labours. My Committee are aware that in the Bill under consideration Government are under an obligation to purchase at a stipulated price, cereal food crops grown in any holding in respect of which cultivation has been regulated under the orders of Government. The provision is not sufficiently definite; on the other hand, it would be more helpful in achieving the desired object if Government announced in advance the minimum prices which they would be prepared to pay for the different varieties of cereals in question

so that the cultivator may feel himself reassured about his position. Fixation of such minimum prices is, in the opinion of my Committee, an essential condition for the successful working of any scheme of regulated increase in the cultivation of food crops. The prices must be announced from now and should be current for the whole year. It need not be emphasised that the prices fixed by Government should be such as to offer the necessary inducement to the agriculturist to put his maxim effort in increasing productivity.

My Committee have already stressed the necessity of making cattle and cattle fodder available to the agriculturists. They would also urge the necessity of making available to the farmers agricultural implements, good seed for growing, fertilizers, etc. It is also necessary that the agriculturists should have sufficient inducement to grow foodgrains and sell them, and for the latter, their simple requirements like cloth, lanterns, kerosene, matches, sugar, etc., should be made available to them in reality and not merely on paper at controlled prices. If the agriculturists have something on which they can usefully spend their money, they will be tempted to produce more foodgrains and sell same.

So far as the Bill, however, is concerned, my Committee are in general agreement with the main object of ensuring that greater area shall be devoted to the growing of foodgrains. They are, however, not in a position to examine in detail the various clauses and the provisions underlying the same. It will be appreciated that the views of those directly concerned, viz. the agriculturists, on such details should be obtained and to that end my Committee suggest that Government should, through Co-operative Societies and such other agencies, consult agricultural interests so far as the detailed provisions of the Bill are concerned. They would, at the same time, like Government to consider the general issues which they have raised in the foregoing remarks and to take all the steps necessary for putting into action a co-ordinated programme of creating favourable conditions for the attainment of that object.

APPENDIX 41

Registration of Trade Marks and Reciprocal Arrangements with Indian States

Letter dated 30th March 1944 from Chamber to Registrar of Trade Marks, Bombay.

The Committee of my Chamber have considered the above question in the light of the report of the discussions held at the two meetings convened by you. They have gone into the matter fully. They are of the definite opinion that the Indian States should be brought within the scope of the Trade Marks Legislation in British India.

As regards the constitutional and legal difficulties raised during the discussions of the question, they feel that it should not be beyond the competence of the legal and constitutional advisers of the Government of India to devise a formula which will provide a workable solution of those difficulties and, at the same time, achieve the main purpose of having uniformity in law, procedure and practice in regard to Registration of Trade Marks throughout the whole of geographical India. There is, at present, a system of common currency for British India and almost all the Indian States. The system of a common Post & Telegraph with certain adjustments is also working smoothly. In regard to customs, by virtue of an arrangement, a common policy and a uniform scale of duty are being observed throughout the whole of India. In the matter of income-tax, there is a double income-tax relief arrangement and the recent War Risk Insurance Scheme instituted by the Government of India has, in certain respects, been extended to apply for Indian State territories.

In the light of all these precedents, my Committee venture to submit that a common scheme of Trade Marks Legislation for the whole of geographical India will be practicable and that it is for the Legal Advisers of Government to work out the necessary legal and constitutional adjustments for making such a common scheme a *fait accompli.*

APPENDIX 42

Administration of Defence of India Act and Rules

Letter No. 406 dated 21st February 1944 from Chamber to Home Department, Government of Bombay.

The attention of my Committee has been drawn to the various hardships caused to the business community of the City of Bombay on account of the prosecutions which they have to face in Criminal Courts for the alleged breaches of rules and notifications made under the Defence of India Act.

In spite of the proper precautions taken by the merchants to obey the Law, they run the risk of being prosecuted in Courts of Law on account of the alterations and additions in the rules and notifications which come into force as soon as they are published. The merchants will be enabled to observe the law and regulations more easily if there is some interval between the time of publication and the time of enforcement of such rules and notifications.

In the City of Bombay Criminal Courts are established in different parts of the City, at Esplanade, Mazgaon, Dadar and Girgaum. So the persons living in different parts of the City ordinarily get the benefit of the nearest Court. This normal practice of resort to the nearest Court is not followed in the cases of the alleged breaches of the rules and notifications under the Defence of India Act, as persons from all over the City of Bombay are required to go to the Court at Mazgaon, irrespective of the part of the City where the offence is alleged to have been committed.

As a result of this, people staying in different parts of the City are subjected to inconveniences. There is a great waste of time in going from the distant parts of the City to the only Court at Mazgaon for the purpose. This difficulty is greatly enhanced on account of the difficulty of getting conveyances, and congestion in trams and buses.

These hardships of the merchants can be easily obviated if arrangements are made at all the Criminal Courts of the City of Bombay for the abovementioned prosecutions. It is necessary that cases should be tried in the different Courts within whose jurisdiction the alleged offences are committed. Such cases are at present tried by one Special Magistrate. My Committee suggest that they should be tried by all the stipendiary Magistrates as in the case of other offences,

in order to inspire better confidence amongst the members of the business community.

The repeated adjournments of the contested cases, often extending over a long period of even 9 to 10 months lead to a great waste of time and money to the merchants. My Committee believe that it will be in the interests of the public, if the long-pending cases are taken up as soon as possible.

My Committee again request the Government of Bombay to redress the above grievance of the business men who are always very keen to co-operate with the Government in the proper observance of the laws.

APPENDIX 43

Bill further to amend the Insurance Act, 1938

Letter No. 2565 dated 21st December 1944 from Chamber to Superintendent of Insurance, Government of India.

I am directed to refer to your letter No. 195-SI/44, dated the 18th November 1944, and to submit the views of this Chamber on the above Bill as under :—

Clauses 4 and 25 of the Bill—Amendments to Section 4 & 65

Under the above amendments (*a*) the maximum limit for insurance by Provident Insurance Societies is proposed to be increased to Rs. 750, (*b*) the minimum limit for insurance by Life Insurance Companies is proposed to be fixed at Rs. 1,000, and (*c*) Co-operative Insurance Societies and Mutual Insurance Companies are debarred from writing policies for less than Rs. 1,000. My Committee have no objection to the limit of Provident Insurance Societies being raised to Rs. 750; if necessary, the limit in their case may be raised even to Rs. 1,000. They, however, object in case of Life Insurance Companies to the minimum limit being raised from Rs. 500 to Rs. 1,000. The effect of this proposal will be that persons desiring to effect insurance for sums below Rs. 1,000 will be compelled to go the Provident Insurance Societies which cover risks at a comparatively higher rate than Life Assurance Companies. Besides, under the present proposals, Insurance policies could not be effected for amounts between Rs. 750 and upto Rs. 1,000. Under the circumstances, it is most necessary that the limit in case of Life Insurance Companies should be allowed to remain at Rs. 500 in the interest of persons of small means desiring to get insured.

Besides, the restriction placed on Co-operative Insurance Societies and Mutual Insurance Companies against issuing policies for less than Rs. 1,000 will act as a hardship amongst the rural population which is interested in insurance for smaller sums. Such Societies are known for the useful work they have been rendering amongst the village folk and if such good work is not to be interfered with, the restrictions proposed as above should be withdrawn. It is, therefore, suggested that the exemptions granted to Co-operative Insurance Societies and Mutual Insurance Companies from the applicability of the provisions of Section 4 (1) of the Act should not be withdrawn as proposed in the amendment. The case of Co-operative Insurance Societies deserves special consideration. Bombay Presidency has got the largest Co-operative Life Societies in India, and more than one-third of its constituents are from other Co-operative Societies. It is an organisation developed on special lines and if any change were now made the whole structure is likely to suffer. My Committee, therefore, emphatically are of the opinion that the *status quo* should be maintained for Co-operative Insurance Societies.

Clause 12—*Amendment to Section* 27 *of the Act*

While my Committee have no objection to the proposed amendment, they should, however, like to point out the extreme desirability of amending Section 27 also with regard to restrictions which have been imposed on insurers in respect of investment of their funds. Under the Act as provided under this Section, Life Assurance Companies are required to invest and keep invested assets equivalent to 55 per cent of the sum of liabilities to holders of Life Insurance policies, 25 per cent of the liabilities being invested in Government Securities and the remaining 30 per cent being invested in Government or approved Securities. Such restrictions, in the opinion of my Committee, limit the possibilities of the Life Insurance Companies investing their funds in more remunerative securities. Especially, this restriction has proved a great hardship during the present times when the other overhead expenses have increased in comparison. They, therefore, submit that an amendment to Section 27 is necessary whereby the percentage of investments in Government and Approved Securities should be suitably reduced.

Clause 16

By this Clause it is sought to add a new Section 31A, whereunder it is provided that no Insurance Company shall, after the

expiry of two years from the commencement of the new provision, have Managers and similar officers on a commission basis nor shall such officers nominate their successors without regard to the qualifications necessary for the office. The amendment is intended to restrict payment of commission or a share of profits to any employee of the company. My Committee are opposed to a general application of Clause 16 to all the Executives of the company. Payment of remuneration based on business or profit commission to Branch Managers has been generally in vogue for a considerable period and this arrangement has proved advantageous in securing good class of business for the companies. They, therefore, feel that the restriction should apply only to the Principal Officer of the Head Office of the company and not to Branch Managers and Agents of Branch Offices.

Clause 20

This Clause inserts a new Section 40A to the Act, whereunder the commission payable on insurance business, other than life, is restricted to 20 per cent of premium payable on any policy of policies effected through the Chief Agent or an Insurance Agent employed through or under him. My Committee feel in this connection that an improvement upon this amendment is necessary which would do away with distinction between Agent and Chief Agent and would create only one class of Agent and that the rate of commission for all should be uniform. If, however, their suggestion is not acceptable then payment of commission for General Insurance business may be fixed on the following basis :—

1. Commission to be paid to Chief Agents—20 per cent.
2. Commission to be paid to Licensed Agents—15 per cent.
3. Limitation of over-all expenses of all companies transacting business in India on gross Indian premium income from any Department—30 per cent.

If the statutory limitation of commission payable to Chief Agents and Commission payable to Licensed Agents is fixed, a simultaneous statutory limitation of over-all costs should also be introduced without which the limitation in the case of Chief Agents and Licensed Agents commission would be valueless.

Section 43—*Amendment to the Third Schedule of the Act* :

This amendment proposes changes in the Form of Revenue Account (Form D) whereby the accounts are required to be shown separately indicating the first year's premiums separately for policies

having the maximum premium paying period of two years, three years, etc., upto twelve years. My Committee suggest that such a presentation of accounts as proposed under this Clause would be very cumbersome and inconvenient. They feel that if such information is necessary, the same may be asked for separately from the insurers. Besides, if at all, this information is to be published, the public instead of getting more information will be confused and the change will defeat its very purpose.

My Committee trust that Government will be pleased to consider the above suggestions favourably.

APPENDIX 44

Bill to amend the Indian Companies Act—Capital Structure of Banking Companies

Telegram dated 23rd February 1944 from Chamber to Commerce Department, Government of India.

Referring to Bill No. 2 to amend the Indian Companies Act Committee Indian Merchants' Chamber while they welcome and approve the main purpose and the central proposals would like to place before you the following detailed suggestions for your kind consideration. The proposal in Clause 2 to restrict the period of appointment of any person having a contract for the management of the company to five years should apply only to the chief man who is concerned with the management of the whole affairs of the company and not to sub-managers or branch managers. To that end suggest that the words any person wherever they appear should be substituted by the words a manager as under Section 2 sub-section 9 of the Companies Act manager is already defined as one who has the management of the whole affairs of a company. The power of renewal and extension of the appointment of a manager should vest in the directors of the company and not in the shareholders as proposed in the proviso to the new Section 277HH. The directors are elected by the shareholders and they are entrusted to do all the acts and things necessary to be done in the interests of the company. They are persons who are in a position to judge the merit and suitability of any particular incumbent for holding office as manager and the power of extending or renewing the contract of appointment in regard to the chief executive officer of the company should vest in them. To take away this important power from the directors and to vest it in the shareholders will strike at the fundamental basis on which affairs of com-

panies are governed apart from inviting complications and undesirable elements in the management of companies which such procedure Committee apprehend is bound to create. A saving clause should be added to Section 2 so that in the case of existing contracts of appointment for longer periods a manager appointed before the commencement of the new Act would be allowed to continue to hold office for a further period of seven years from the commencement of the new Act. The proposed new Section 277I(2)(*b*) provides that after two years from the commencement of the new Act no banking company started after January 1939 shall be allowed to have any class of capital other than ordinary shares and such preference shares as may have been issued before the commencement of the new Act. While Committee are in agreement with the above provision they would at the same time like to point out that no machinery and procedure have been prescribed for cancelling and paying back deferred or other classes of shares already in existence. In the case of banks which have such deferred shares if the deferred shareholders are recalcitrant and do not agree to any compromise or arrangement for paying back such shares a deadlock would ensue and the banking company would come to trouble. In order to prevent any such development Committee suggest that a sub-clause should be added providing that such banking companies should be entitled to cancel deferred or other classes of shares by a compromise or arrangement arrived at between the company and the holders subject to sanction of the court and in case where any such arrangement does not get the support of the requisite majority as provided in Section 153(2) it may be provided that the Reserve Bank of India may determine the terms and conditions on which such shares may be cancelled and paid back. Without some such provision there would be difficulty in adjusting the affairs of existing banking companies having deferred shares to meeting the requirements of the altered law. Request that the above suggestions may please be incorporated in the Bill by suitable amendments.

APPENDIX 45

Difficulties under the War Risk Insurance Scheme

Letter No. 44-W.R.I. (30)43 dated 4th March 1944 from Commerce Department, Government of India to Chamber.

In continuation of this Department letter No. 44-W.R.I. (30)/43, dated the 1st November 1943, I am directed to say that the Govern-

ment of India have carefully considered the suggestions made by the Chamber but regret that they are unable to accept the same for reasons detailed below.

2. The Government of India are of opinion that the present practice of insisting on figures of maximum value of stock with reference to English Calendar months, is in accordance with the War Risks (Goods) Insurance Ordinance, and entails no serious hardships on the business community. The Government of India have also noticed that in many cases the traders themselves have adopted this practice voluntarily.

3. I am also to point out in this connection that if accounts based on Indian Calendar months are accepted uniformity of practice in the different parts of India, attainable under the present system will have to be sacrificed owing to the traders of different communities maintaining their business accounts according to their own year.

4. I am to add that the Special Officers, War Risks Insurance, have already been instructed not to require the attendance of business men from distant places for the purpose of furnishing accounts.

5. I am further to add that the Government of India are unable to accept approximate costs as the insurable value of stocks, as it would be opposed to the principles underlying the War Risks (Goods) Insurance Ordinance. The proper measure of indemnity is the market value of the goods destroyed, since upon any other basis the traders cannot be adequately indemnified. It is therefore obvious that the insurable value should be the market value to the trader concerned, at the time of insurance and in arriving at this value rise of price in the market would necessarily have to be taken into account. The Government of India are therefore unable to alter the existing practice.

Letter No. 1021 dated 25th May 1944 from Chamber to Commerce Department, Government of India.

I am directed to refer to your letter No. 44-W.R.I.(30)/43, dated the 2nd/4th March 1944. My Committee note that Government are unable to agree to any alterations in the existing practice and requirement for taking the market value of the goods as the insurable value for purposes of the scheme.

In this connection, the attention of my Committee has been drawn to certain instances in which the market value is being worked

out in an arbitrary manner. These instances relate to parties who have overlooked to insure their goods under the scheme in the past and, therefore, are being called upon to pay the premium for the whole period from 1941. In working out the figures of the market value at the end of each quarter, the fluctuation in the prices is taken into account and the insurable value of the stocks inflated accordingly. The increase in the market value in the succeeding quarters is again calculated without any reference to the percentage increase already taken into account in the previous quarter. The accompanying detailed illustration indicating the results of the above basis of working has been furnished to my Committee by a member of the Chamber. The application of the method referred to above has led to an abnormal inflation of value for insurance purposes. In the instance in question, which incidentally represents an actual case, although the book value of the stocks in September 1948 was only Rs. 12,926, the insurable value has been calculated by the officer concerned on the basis of adjusting every quarter the cumulative percentage of increase in prices quarter after quarter at Rs. 1,65,201. The above method of computation is faulty and my Committee urge that even if the market value is to be taken as the basis for purposes of insurance, adjustments at the end of every quarter should be made after taking into account the increase already effected as a result of the rise in prices during the previous quarter and also after taking into account the replacement purchases during the quarter which were really at the higher prices.

It is requested that Government will be pleased to look into the matter.

IV. GENERAL TRADE AND INDUSTRIES

APPENDIX 46

Interview with the Hon'ble Sir M. Azizul Huque, Member for Commerce, Industries and Civil Supplies, Government of India

Speech of Mr. Pranlal Devkaran Nanjee, President, Indian Merchants' Chamber, at the interview of the Committee with the Hon'ble Sir Muhammad Azizul Huque, C.I.E., D.LITT., *Member for Commerce, Industries and Civil Supplies, Government of India, on Tuesday the 12th September 1944 at 5 p.m.*

Sir Muhammad Azizul Huque,

1. *Problems of Peace*

On behalf of the Committee of the Indian Merchants' Chamber and myself, it gives me great pleasure, Sir Muhammad, in welcoming you once again in our midst this afternoon. During the period, that has elapsed since your first visit in August 1943, great events have taken place. War has now reached a stage, when it is possible to visualise the prospects of peace, at no distant date. Problems of peace have been, however, causing us as much concern—if not more—as the problems of war. Statesmanship lies in understanding the fundamental aspects of these problems in time, and in evolving the lines, on which they could be effectively solved in the true interests of India.

2. *Impact of War on Trade and Industry*

Our import trade has suffered. We have not been allowed to import capital goods, machinery and/or spare parts, essential for the economic running of our existing industries, or necessary for the starting of new industries in the country. Export trade has, of course, continued. India has, however, been made to export raw materials as well as manufactured articles to meet the war requirements of the United Nations. These exports have ignored the primary and the essential needs of the country. For instance, cotton piecegoods have been exported out of India, when they were urgently needed for covering the bare bodies of the people of this land. Foodstuffs were exported, when they were urgently required for keeping off starvation and preventing conditions which brought about famine in Bengal and other parts in the country. Coal was ex-

ported with the result that several industries have been compelled to curtail their production and some of them had even to close down their factories. While the policy of import and export has, therefore, made the people of this country undergo serious privations and hardships, it has also tremendously effected the industrial development of this land. War provides an unusual opportunity for the industrial development of a country. India had, however, lost all opportunities for such a development, both during the last war as well as during the present war. This is entirely due to the policy adopted by the Government of India. While other countries within the British Commonwealth, like Canada and Australia, have been allowed to do every possible thing during the war to develop new industries, and to lay down plans for further industrial expansion after the war, it is a matter of great disappointment to us that all attempts by Indians to start such key industries as automobile, shipbuilding, aircraft, etc., have been unceremoniously turned down on one pretext or another. It is true that some minor industries have been allowed to expand or have been brought into existence to meet the exigencies of the war, but the grim fact remains that industrial development, in its broad sense, has been conspicuous by its absence during the last quinquennium, when it has made remarkable progress in countries which have their own National Government.

As if these difficulties, handicaps and the deliberate neglect of utilising all opportunities were not enough to prevent India from marching onwards on the path of industrialisation, the extensive operations of a powerful organisation like the U.K.C.C., with all the resources and with the prestige of His Majesty's Government at its back have created intriguing difficulties and anxious problems for India and Indians in regard to the overseas trade of this country. It is, therefore, natural that the situation has been causing us serious anxiety in regard to the promotion of India's national economy for the future.

8. *Industrialisation and Post-War Policy*

How is India, therefore, going to be treated in connection with these vital matters in the post-war period? This, Sir, is a question which it is quite legitimate for us to ask and we have no doubt that you will be pleased to answer it fully and in its various aspects and that you will be good enough to lay down such a policy and take such steps to implement it as will enable us to look forward with confidence to the future development of a balanced national

economy for India. The recent policy of importing consumer goods on a large scale has been naturally causing us serious concern as to how it will affect the development of existing industries, particularly those which have been brought into existence during the war and as to how it will create difficulties in the path of starting new industries in the future. Whatever may be the justification from the Government point of view for restricting the issue of capital, you will agree with us, Sir, that those who issue new capital even with such restrictions should know here and now what future has in store for them. It is, therefore, essential that the Government should make it absolutely clear as to what their policy is going to be in regard to the location, regulation, control or direction of industries in the future. Without a definite enunciation of their policy in regard to these important matters, those who issue new capital now will not be able to evolve, much less to work out, their plans for utilising their capital economically and successfully in the future.

4. *Taxation and Industries*

The policy of taxing industries has deprived them of the financial resources which they badly need. This has caused a very serious problem for them and they do not know how to find the funds necessary for the replacement of their assets and bringing them up to modern standards. The cost of plant and machinery as well as the cost of other assets has gone up several times their original price. It will, however, be recognised that the raising of new capital or the borrowing from the market for financing this programme of replacement will militate against all sound cannons of finance and will impose fresh burdens on industries which it will be impossible for them to bear. It is, therefore, quite essential to grant them necessary refunds from the amounts of taxes paid by them or to give them adequate financial help in any other equitable manner to ensure their proper working in the future. It is obvious that this does not take into consideration their need for expansion. This is also a matter of vital importance to the future stability of our existing industries and we shall feel grateful to you if you, Sir, will kindly let us know how the Government of India propose to deal with this problem of enabling these industries to maintain their position in the future.

5. *Menace of Foreign Combines*

We do not know what the plans of the Government are for the rapid development of India's industries in the post-war period. Some

recent indications, of how the Government are likely to act, have created serious apprehensions in the country as to the industrial expansion on those lines being in the true interests of India. There is widespread belief, for instance, in the country,—and you will agree with us, Sir, not without justification,—that the Nitrogen industry, with the manufacture of fertilizers to start with, will be handed over to the powerful non-Indian combine, the Imperial Chemical Company. It should not be necessary for us to argue, Sir, in the year 1944, whether the establishment or development of industries in India by such powerful outside combines is or can be in the true economic interests of this country. Even as far back as 1916, Sir William Clarke, the then Member for Commerce and Industry of the Government of India, had made an announcement to elucidate what the Government really meant by the development of Indian industries. Speaking on the resolution for the appointment of the Industrial Commission, he stated :—

> " The building up of industries where the capital control and management should be in the hands of Indians is the special object we all have in view."

And he viewed with serious disfavour the creation of a situation whereby " the manufacturer who now competes with you from a distance " would transfer " his activities to India and competes with you within your own country ". Moreover, you are aware, Sir, of the bitter lessons which we have since learnt to our cost as a result of the operations of such combines as the Swedish Combine in the match industry, the activities of Lever Bros. in the soap and other industries and the Imperial Chemical Combine in the chemical and dyeing industries. Their powerful connections and their great resources have not only stifled the growth of Indian industries owned, controlled and managed by the nationals of the country, but they have also deprived the country of the wealth which true national economy would have otherwise retained within the country. We would, therefore, Sir, like to be assured that the starting of such industries would not be entrusted to outside interests. We would also like to be assured that no fresh outside vested interests will be allowed to be created in the country now and in the future, but all industries hereafter will be owned, controlled and managed by the nationals of the country.

6. *Has India got real Fiscal Autonomy?*

No plan for the industrial development of the country can or will, however, be successfully carried out, unless India has got the requisite power to do so. We are told that India has got fiscal autonomy. This is like Sir Wedgwood Benn telling us some years back that India has got Dominion Status in action. We all know that neither has India got fiscal autonomy, nor has she got Dominion Status. Fiscal autonomy means that the elected representatives of the people should have the power to lay down the fiscal policy of the country. They should have the power to protect the industries of the country in such manner as they like. With real fiscal autonomy, they can raise or lower the tariff walls, as they consider desirable, for the protection of national industries. They can give subsidies and bounties for their development, as they consider best, in India's interests. They can prevent the starting of industries by outsiders. They can discriminate in favour of the nationals and against the outsiders, if India's interests require such discrimination. Not discriminating protection, but enlightened and invigorating protection—protection for their own nationals and not for outsiders—shall inspire their national policy in this matter. In short, fiscal autonomy really means all such powers vested in the elected representatives of the people as would enable them to ensure India's industrial regeneration and promote her true balanced national economy. Has India got such powers? We shall feel very grateful to you if you can kindly enlighten us as to what steps the Government propose to take to secure such real powers to be vested in the elected representatives of the people for enabling India to progress speedily, effectively and efficiently in her onward march towards industrialisation.

7. *Imperial Preference growing strong*

There is, however, one great and vital danger, which faces us seriously at present, that will have to be removed, if real fiscal autonomy is to work in India's true national interests. We are all aware how imperial preference has worked against our interests. The Ottawa Pact is a striking illustration of this sinister doctrine of imperial preference. It matters not whether you call it an expression of imperial policy or you characterise it as imperial preference. It is intended to work as well as it has actually worked against our national interests. Great Britain is anxious and seems determined to continue this imperial preference for furthering her own imperial ambitions. Only last April, Mr. Winston Churchill, the

Prime Minister of England, observed, during the course of his speech, in the House of Commons :

> " What I am concerned about today is to show to the House, and also to the members of my own party, how strictly I have, during my stewardship, safeguarded the structure of imperial preference, which we have built up out of the controversies and achievements of the last forty years, against any danger of being swept away in the tumult of this war."

Even when the Atlantic Charter was framed, which, by the way, is not applicable to India, and when Article 7 of the Mutual Aid Agreement was agreed to, Mr. Winston Churchill made it clear that its terms would not, in any way, limit or affect the rights of England in carrying out its policy of imperial preference as she liked. As such a definite and determined policy of action has been given expression to by the Prime Minister himself, it is essential that India should be extremely cautious and critical of any plan for her industrial regeneration that may be solved from without. Recent trends of opinion in Great Britain in regard to her export policy, coupled with her determination to maintain the policy of imperial preference, render it absolutely necessary that the right and power of framing an economic, fiscal and industrial policy for India must be fully and absolutely vested in her own elected representatives. No national plan can or will succeed without such powers. We shall be obliged if you will take us into your confidence and let us know how it is intended to give India such powers for promoting her national interests.

8. *Supreme need of a National Navy of Supply—What do Government propose to do?*

War has also brought home to us more vividly than ever before that that country alone, which controls the seas, can dictate the policy and direction in regard to the movements of the imports and exports in the international trade. " No shipping space is available " are the words with which we have been confronted continuously during the last five years—words which will constitute several sad and intriguing chapters regarding the ignoring—nay neglecting of India's just rights and urgent needs during the period of the war. India has very few ships of her own. And the majority of these few ships have been placed at the disposal of His Majesty's Government for aiding their war effort. She cannot, therefore, import the foodstuffs

which she badly requires for her starving people. The U. K. C. C. has got influence with the British Ministry for War Transport. It can, therefore, get as much shipping space, as it likes and when it wants, for the furthering of its trading activities and establishing and consolidating its hold and position in the markets of the East. The Indians, however, are forced to remain passive witnesses of these activities, because India has very few ships of her own. An International Maritime Board is, we understand, set up with its offices in Washington and London. Eight Allied nations have joined the Board. We presume India has also done so. India has, however, very few ships. She has, therefore, we are told, no voice in the direction of this joint shipping now and for some time to come after the cessation of hostilities. Her representation only shows what power the United Kingdom wields in matters of such vital International importance. America avers that not only will she carry 50 per cent of her overseas trade, but she will also carry a part of the world trade in her own national bottoms. England has made it clear—that come what may—she is determined to become the most powerful carrier of the trade of the world. What has India to say or to look forward to in this all important matter? She has very few ships. She is also not allowed to build any ocean-going ships. Her Government have no national shipping policy. Her Government do not consider shipping as a national asset. Her Government do not regard it as a vital instrument of promoting national economy or national prosperity, as England does. Even your immediate predecessor had to sound a note of warning that " the lessons of this war will not be lost upon us and that every effort will be made to help to develop Indian shipping and ship-building industries ". A powerful national mercantile marine is the supreme need of every important maritime country. That India, with her immense overseas trades, her vast seaboard, her geographical position and her strategic importance, imperatively needs such a national merchant navy cannot be denied. An Indian navy is necessary for protecting India's trades and defending India's shores. This national navy must have, as remarked by Vice-Admiral Godfrey the other day, " an efficient reserve in the mercantile marine upon which it could turn for officers, men and even ships in an emergency." The Government, Sir, have been profuse in their promises that it was their responsibility to secure for national shipping, i.e., shipping owned, controlled and managed by the nationals of the country, an adequate participation both in the coastal and overseas trades of

India. But ships on the Indian register constitute even less than 0.24 per cent of the world tonnage. Even in her coastal trade, the share of national shipping is hardly 20 per cent. It has no position in the overseas trade. We understand that even this year the Premier National Indian Company was again denied the right of carrying pilgrims to the Hedjaz. You were good enough to tell us last year that you considered the national mercantile marine of such supreme importance that if you were asked to make a choice between India's independence and the obtaining of 50 ships for carrying India's maritime trades, you would prefer the ships to Independence. This shows what serious and supreme importance you attach to the development of a national mercantile marine. You will, therefore, pardon us if we were to say that whenever we have sought enlightenment on the question of national shipping, Commerce Members and Commerce Secretaries, who have met us in the past, have not favoured us with their views and have not given us any inkling as to the policy which the Government desire to follow. In view, however, of the supreme importance which your goodself attaches to the establishment of a powerful mercantile marine, without which even no national plan for India is likely to succeed, may I appeal to you, in all earnestness, to take us into your confidence, and deal with this question of vital national importance as fully as you can, and let us know what constructive and effective steps the Government of India propose to take, for building up a really powerful national merchant marine, which will contribute to the prosperity of India as a navy of supply, and will defend her shores in an emergency as a second line of defence?

9. *India's place and position at International Conferences*

Another question of vital importance with which we are all seriously concerned is the position which India should occupy at International Conferences amongst the free nations of the world. India has never been assigned her due place or recognised as a free country at International gatherings. It is not the voice of national India that is heard in their deliberations. Representatives of the Government of India speak at these Conferences. The constitutional position of the Government of India makes it, however, impossible for their representatives to voice the feelings and aspirations of the people of this country, when they are in conflict with the views or policies which the British Government want them to adopt. India's

representation at these Conferences has, therefore, often meant an additional vote for the United Kingdom.

Several International Conferences of vital importance were held last year as well as during the current year. The Hot Springs Food Conference and the Empire Air Conference held in 1943, the U.N.R.R.A. Conference and the World Monetary Conferences held in 1944 were Conferences, the decisions of which are likely to affect widely and vitally the present and the future position of India in several directions. It is, however, a matter of deep regret that decisions taken at these gatherings are construed to be decisions taken in the name of the people of India. It is a matter of still greater regret that the Indian public knows nothing about their decisions and these are often not communicated even to the elected representatives of the people. Two non-official representatives were sent for the first time along with the Government nominees to the World Monetary Conference, but the Chairman of the delegation was a British civilian and a member of the Viceroy's Executive Council. While they have, on this occasion, as testified by the non-official delegates, worked as a team, we consider it our duty to bring to your notice the considered view of these very non-official delegates that " if the prestige of India is to be maintained at International gatherings, the leader of the Indian delegation should always be an Indian national ". Several such Conferences are bound to take place hereafter and it is but fair that India's voice should be expressed at such gatherings only by Indians carrying popular support and enjoying popular confidence.

We are, however, told that non-officials cannot represent India at these world gatherings, when other countries are represented thereon by their officials. Our answer is that those countries as well as the Dominions have got their own independent cabinets fully responsible to their own people. Their Ministers or their nominees are, therefore, the real representatives of their people. That is not with India. Government officials or their representatives, who attend such Conferences on behalf of India, represent the Government of India—if even that—as they really represent the Secretary of State, to whom that Government is wholly responsible. They, therefore, cannot and do not represent the people of the country in whose name they profess to speak. This is a very serious and anomalous position for India in International deliberations. It is, therefore, imperative that until the Government become fully responsible

to the elected representatives of the people, the least that should be done to safeguard the interests of this country is to send to such International gatherings an equal number of non-official Indians, enjoying the confidence of the people, and as equals with others, with the same right of speech and vote.

There is bound to be a World Peace Conference as soon as the war comes to an end. An International Conference is likely to be held before the year is out to arrive at an understanding regarding problems connected with civil aviation, navigation and transport. There is every likelihood of other International or bilateral Conferences being held in the near future to settle the questions regarding shipping, trade and commerce and other important matters affecting vitally the nation-building activities of the countries of the world. Who is to speak at these world gatherings on behalf of India? This is a matter of very grave concern to us all. India cannot be and should not be represented at such gatherings by officials and even by those non-officials who do not or cannot represent the feelings, views and aspirations of the people. Such representation will be highly unfair to India and seriously detrimental to her future position as a free country. It is, therefore, quite imperative that non-official Indians, enjoying unqualified support and implicit confidence of the people, should alone represent India at these important gatherings.

It is thus that we visualise the future status of India in the International world and while we shall be obliged by your enlightening us on this subject, I need not tell you that I am specially stressing this point to draw your earnest attention and, Sir, through you the attention of the Government of India to this vital and fundamental necessity of giving India a place of her own as a distinct and separate entity amongst the free nations of the world.

10. *Canalisation of Exports and Imports*

Apart from the general observations which I have made in the beginning of my speech, certain recent developments have given rise to serious apprehensions in our minds in regard to the future position of the export and import trade of the country. There is a growing tendency to substitute the usual trade channels by the creation of a central agency for canalising the Indian export and import trade with particular countries. This move started with the U.K.C.C. As you, Sir, we understand, had a detailed discussion regarding this

particular agency with the representatives of the Federation of Indian Chambers of Commerce and Industry this morning, we do not propose to take up your time by a further reference here to that agency. At the same time, there are persistent reports that a move is on foot for creating some sort of a corporation for carrying on the export and import trade with the U.S.A. Exports to Turkey are also centralised through the agency of a representative working under the authority of that Government here. We are strongly of the view that arrangements of this nature are not in the best interests of the country. Not only will they divert Indian trade from its established channels but they will also, in many cases, enable the non-nationals to capture as well to dominate that trade. We have, in the past, urged that Indian exporters and importers should be enabled to establish direct contact with their foreign buyers or suppliers and that they should not be asked to rest content with the role of being mere middlemen, dealing only through foreign agencies established here. It is relevant, in this connection, to point out that before the war the Japanese Government created Japanese monopolistic interests for controlling import trade in various articles from India into Japan, and this had the result of cutting out many an established Indian interest from its respective spheres in that trade. It is necessary to guard against any similar development in respect of our foreign trade with other countries in the post-war period, and we submit that the Government of India should not countenance the establishment of any monopolistic agencies for controlling and canalising the import or export trade with any foreign country.

11. *Controls and Canalisation*

In this connection, we would like to draw your attention also to the manner in which the administration of some of the controls, instituted as a war-time measure, is resulting in the canalisation of the trade in non-Indian hands. The import trade in chemicals is an instance in point. Government have recently laid down that licences for the import of certain chemicals can be granted only to the accredited representatives here of foreign manufacturers of such chemicals. We had extensive correspondence with your Department on this matter, wherein we have pointed out that such a policy had the effect of granting a virtual monopoly of the trade to a few agencies, most of them non-Indian. When the control was first instituted, the salutary principle of granting licences on the quantum

of the previous volume of trade was accepted. It worked fairly well. There was, therefore, no justification for departing from that practice. We submit that once the trade is diverted in the manner referred to above, from its normal channels, the resulting loss of business to those concerned shall be almost permanent. We shall, therefore, be glad to be assured that the policy of canalising the exports and imports will no longer be allowed to operate hereafter.

12. *Control Orders—Need for Greater Consultation*

Government have found it necessary to institute a system of controls in respect of trade in a variety of articles. This is neither the time nor the occasion to enter into a detailed discussion of the different controls or to refer to particular grievances which we have from time to time found it necessary to represent to the authorities. Our main purpose in raising this issue here is to impress upon you the necessity for laying down, as a matter of general procedure, that all such controls should first be discussed with representatives of trade interests concerned and their actual working and administration should also be carried out in consultation with those interests. For instance, the Cotton Textile Control is more or less being worked and administered after close consultation with the textile interests; although, even here, the trade interests are not being taken into confidence to the same extent. It is necessary that the same procedure should be followed, at every stage, in respect of all the other controls. When the prices, under the Drugs Control, were fixed, the trade interests, at any rate, the Indian interests, complained that they had not been consulted. This necessitated the revision of the whole list of prices within a short time. Similarly, we often hear of one or the other trade being seriously inconvenienced or put into difficulties by some of the notifications or orders, under the Anti-Hoarding and Profiteering Prevention Ordinance. Had an Advisory Panel been instituted for every trade to be brought under control, and had Government arranged for advance consultation with such panels before enforcing the different steps in furtherance of the scheme of control, many of the difficulties experienced later could have been forestalled and avoided. It would have no doubt minimised the general feeling of dissatisfaction against the administration of these controls. Similarly, in regard to the Paper Control (Economy) Order, Government have prescribed, almost by a rule of the thumb, percentages by which consumption is to be reduced. Such a fixing of the percentage has obviously not taken into consideration

the fact whether in any individual case or whether under particular circumstances it would be possible to conform to the percentage determined by the Government. Incidentally, we would like to emphasise the fact that this Order is causing considerable hardship and would, therefore, urge upon the Government to explore the possibility of increasing the quota, at least in hard cases, by making arrangements for an increased supply or at least by giving an additional quota for the use of newsprint, supplies of which, it is understood, are not available. It is also necessary that machinery for the consideration of special cases and for passing immediate orders on application for increased quotas should be set up at different commercial and industrial centres. At the Conference, which was held in Bombay on the 11th July last, it was agreed that an Advisory Committee to assist Government in the administration of paper control would be set up. No further action seems to have been taken so far in that regard. We hope you will, therefore, appreciate the viewpoints to which we have drawn your attention, and be pleased to take steps for consulting trade interests before any control is inaugurated and later on for associating them with its administration and working.

13. *Hedge Trading in Oilseeds*

We would now like to refer to the question of hedge trading in oilseeds. The whole machinery of trade has been disorganised since the prohibition of hedge trading and the interests of the producer are likely to be seriously affected, if the ban is not lifted before the new crops begin to arrive in the markets from October onwards. Hedging facilities are considered to be necessary under modern economic conditions, for the smooth marketing of important crops and for maintaining the price levels. Even in a country like the U.S.A., which is geared to maximum war effort, hedge markets, including the one for wheat in Chicago, have been allowed to function continuously in the interests of agriculturists. A hedge market is a sort of insurance to the producer against contingencies, all throughout the year, but it is of special advantage to him, when crops are being marketed inasmuch as it enables him to sell his produce at a fair and reasonable price to the buyers who take the load off the market. Such load would otherwise depress prices to the detriment of the growers. The Government of India had also put a ban on futures trade in cotton, but they lifted the same after about five months, in October last, on the recommendation of the Cotton Panel of the

Textile Control Board and the Indian Central Cotton Committee, as functioning of the hedge market in cotton was considered to be essential in the interests of the producer. The ban on hedge trading in cotton was lifted as an experiment. The said experiment has proved satisfactory even according to Government authorities themselves and permission to trade in new cotton crops of 1945 has also been given. It is, therefore, but fair that Government should restore similar facilities to other equally important crops, like oilseeds. The argument that hedge markets accentuate the inflationary tendency has been disproved by the experience in cotton where Government have to buy large quantities at bottom levels to maintain prices despite persisting inflation. Moreover, Government's objective of maintaining supplies of essential commodities at stabilised prices would be better served by the functioning of hedge markets with suitable restrictions, if necessary, for the war period. Oilseeds and their by-products have come to occupy great importance in our national economy and we hope that Government will, without delay, allow hedging facilities in that market, so that the grower may have the benefit at the right time.

14. *Shortage of Coal*

We are aware that matters relating to the supply and distribution of coal are not directly under your Department; but as industries generally are under your care, they have to look to you for assistance in the redress of their grievances. It is significant that matters concerning coal have been transferred three times from one department to another during the course of the last two years. Coal was at first under the charge of the War Transport Department; later on, it was transferred to the Labour Department, and recently to the Supply Department. And yet the coal muddle is eluding a solution. The two aspects of the coal problem are: (1) securing increased raisings, and (2) ensuring a fair and equitable distribution. The difficulties in the way of intensifying raisings, such as scarcity of stores and machinery, labour and foodstuffs as well as pleas for relief in taxation, etc. have all been submitted to the Government in great detail. The improvement necessary in regard to the method and machinery for distribution has also been discussed at great length, particularly at the recent meetings of the Coal Control Board. This is perhaps not the proper occasion to go into those aspects over again; but when even industries engaged in essential war work, such as Iron and Steel, Chemical, etc., and industries essential for meeting

the civil requirements of the country, such as Cotton Textile, sugar, soaps, vegetable products, etc., find difficulties in maintaining their production uninterrupted on account of the scarcity of irregularity in the supply of coal, it is imperative that Government should lose no time in devising ways and means for improving the position. We look to you, Sir, to appreciate the viewpoint of the industrialists in regard to this matter, and to exert your good offices to bring about a satisfactory solution. Here also we may emphasise that it is necessary to take the mining and trade interests into confidence to secure maximum results and in order to ensure that the steps that may be taken by Government may be found satisfactory in practice. It is also important that on the distribution side, the ordinary trade channels are not displaced and their services and organisations are made full use of. Schemes made by experts, howsoever good on paper, can achieve expected results only if they are adjusted to the practical requirement of the trade and administered and handled by persons who have been all along in it.

15. *Cotton Floor Prices*

We have already conveyed to Government our regret and disappointment at the action taken by Government in announcing a reduction in the floor prices for cotton by Rs. 50 for Jarilla, and larger amounts in the case of some of the other varieties for the coming season. Government justified their action on the ground that in the interests of intensifying food production it is necessary to discourage cotton production. While we do not dispute the need for increased cultivation of food crops, we submit that it is not at all fair to penalise the cotton grower in the process. Moreover, it should not be overlooked that all cotton producing areas could not be changed over for production of food crops. The reduction in prices, however, will affect all cotton growers, irrespective of the suitability or otherwise of the areas for cultivation of food crops. The cost of living has not gone down during the year; if at all, the cost of production has definitely increased owing to high prices of bullocks, agricultural implements, increased cost of labour, etc.

Again, in regard to some of the varieties, Government have fixed only ceiling prices, without at the same time fixing floor prices. We see no justification for this omission. Floor prices have not been fixed even for Dholera and Kalagin varieties which are tenderable against Jarilla contracts. This will lead to considerable disorganisation in the existing trade practices and needlessly penalise

the Bombay cotton grower particularly, where these types of cotton are grown in appreciable quantities. It is pertinent to point out that the floors fixed for the current season were accepted by the trade under protest only and further reduction in floor for the next season will be a serious blow to the cotton growers more specially when cultivators in Bombay Province are forced by law to reduce the acreage. We submit that in such matters Government should strictly adhere to the procedure of previous consultation with the farmers and trade interests. It is, therefore, requested that Government will be pleased to reconsider the position and restore the floor prices to their previous level and also fix floors for all the varieties.

16. *Supply of Consumers' Goods—Government's Import Policy*

In the name of mitigating scarcity in consumers' goods and as an anti-inflationary measure, Government have recently been assisting the importation of consumers' goods in large quantities from foreign sources. This development has caused considerable misgiving in the minds of the Indian commercial public, and we have had occasion to submit a detailed representation in this matter to your Department. While we recognise the need for misgiving the hardships of consumers, we would like to stress again that this matter has to be viewed from a much broader basis. We had, in our submissions to your Department, enunciated certain fundamental principles by which Government should be guided in this matter. They were as follows :—

(1) That Government should in the first place concentrate on efforts to step up production in the country with a view to increasing supplies of all consumer goods to an appreciable extent;

(2) That they should, by a programme of purposive direction assist in filling up the gaps in the industrial structure in the country by promoting such new industries in regard to products which were hitherto being met from imported sources, and also assist the expansion of units in other lines to enable output being increased to catch up with the demand;

(3) That they should assist industrialists in securing supply of machinery and equipment, accessories and parts, and

essential materials, with a view to making increased efforts in the above directions possible; and

(4) That efforts for meeting the demand from imported supplies should be confined to lines in which India, having regard to her resources and capacity, both existing and potential, could not be expected to manufacture such goods within the country, and in cases where they are manufactured imports assistance should be strictly limited to the deficiency in local production and supply after having made all possible efforts for intensifying such production.

At the commencement of the war, Indian industrialists were encouraged by Government promises of definite assistance in the establishment of new industries and the expansion of existing ones. If the industrialists are now to be faced by unchecked competition of imported goods by an assisted programme of imports, those who have sunk their money in such industries have reason to feel nervous about their future and any such development will certainly act as a damper on efforts for increasing production or for establishing new industries. When this matter was raised in the Indian Legislative Assembly in February last, you yourself, Sir, during the course of your reply, admitted that before arranging for imports of a variety of articles, a list of which was placed before the Legislature, Government had held no special consultations regarding the possibility of securing the necessary surplus of those articles by efforts to increase the local production. We understand that some of the articles, which are being produced in the country, have lately been imported in large quantities. The imports of chemicals, as already mentioned, is an instance in point. Alumina Ferric, Sodium Sulphite, Zinc Chloride, Magnesium Sulphate, Calcium Chloride, Sodium Thio-Sulphate and Bichromates, etc., have all, it appears, been imported in substantial quantities. We are assured by those entitled to speak with authority on the subject that all these chemicals or either being manufactured or can be manufactured in the country, if certain basic materials are made available. In raising this issue today, we are mainly concerned with the broad principles which we have enunciated, and we, therefore, urge that Government be pleased to be guided by the underlying purpose of making the country self-sufficient in regard to her essential civil requirements at no distant date in regulating their policy for securing or assisting importation of foreign goods into the country.

I have again to thank you, Sir Muhammad, on behalf of my Committee and myself, for having given us the pleasure of meeting you here today.

Summary of the replies given by the Hon'ble the Commerce Member at the meeting with the Committee af the Chamber on 12-9-44.

The Honourable Sir Muhammad Azizul Huque, C.I.E., D.Litt., Commerce Member, Government of India, thanked the President and the members for the opportunity given to him to meet them.

In his preliminary remarks he pointed out that the memorandum submitted by the Chamber raised a number of important issues. He would not be in a position to give detailed replies to the specific issues raised therein at the moment, but would go through the same after his return to headquarters and the various points and suggestions made by the Chamber would, no doubt, receive due consideration.

During the course of the subsequent discussions he made some general observations and particularly emphasised the need for creating favourable conditions for securing the economic uplift of the country and thereby improving the status of India, political and otherwise, in the international world. Although it was too early to form any idea regarding the post-war conditions in respect of international relations, it would be in India's interests to be watchful and to try to secure her legitimate and proper place in the future order of things. India would have to be very circumspect in that matter and carry negotiations with the different countries of the world for entering into such trade arrangements as would subserve her economic interests best. He generally agreed with the views of the Committee that India should no longer be content to be the supplier of raw materials to the industrially advanced countries and continue to be a market for most of their finished products. She would have to strive to arrange for the utilisation of such raw products within the country for the manufacture of corresponding finished goods thereby reducing her dependence on external sources for such goods.

In any such process of industrialisation he would place a high degree of importance to the development of facilities for advanced scientific research. Industry depended very much for its success and efficiency on the assistance and expert advice which it could derive from the benefits of research. It was a matter of no small

regret that in India such facilities were far from satisfactory. According to him, therefore, developing the research side of industry was an essential factor in creating favourable conditions for further expansion and progress of industries. He also emphasised the necessity for building up an efficient and qualified personnel in industrial and commercial occupations. The long-term success of all such undertakings depended very much on the enlistment of the necessary men with adequate qualifications for the different kinds of specialised and other jobs, and giving them every encouragement and incentive to put forth their best efforts. Incidentally, he mentioned that during the war the dearth of personnel was felt when Government could not draw on commercial houses for the necessary personnel for manning their various wartime departments connected with commerce and industry.

During the course of the supplementary discussion several members participated. Difficulties of the cycle industry, manufacture of chemicals, artificial silk weaving industry, difficulties connected with the supply and distribution of coal, hedging facilities for oilseeds trade, etc., were discussed. The Hon'ble Member said that he would go into some of the specific cases mentioned if the necessary details were furnished to him in due course.

Mr. M. A. Master, Vice-President, stressed the need for an assurance that the fertilizer industry which was a basic industry would be established under Indian ownership, control and management and urged that the Government should dispel the fears which had been freely expressed by the Indian commercial interests in that regard. He also referred to the injustice done to certain interests under the scheme of compensation for explosion losses more particularly in regard to losses in respect of uninsured property and goods. The Hon'ble Member suggested that the Chamber might send to him a memorandum of their views in that regard.

After the President had again thanked the Hon'ble Member, the meeting terminated.

APPENDIX 47

Interview with the Hon'ble Sir Ardeshir Dalal, Member for Planning and Development, Government of India

Speech delivered by Mr. Pranlal Devkaran Nanjee, President, Indian Merchants' Chamber on Monday, the 30th October 1944, while welcoming the Hon'ble Sir Ardeshir Dalal, Member for Planning & Development of the Executive Council of the Government of India, on the occasion of his first visit to the Chamber to meet the Members of the Committee of that Chamber.

Sir Ardeshir,

On behalf of the Committee of the Indian Merchants' Chamber and myself, it gives me great pleasure in welcoming you in our midst today. We are grateful to you for sparing time from your pressing activities and coming here this morning. This is your first visit to the Chamber since you have joined the Viceroy's Executive Council as Member for Planning and Development. This Chamber has always appreciated the value and importance of an exchange of views with the Members of the Executive Council of the Government of India. We, however, feel happier than ever before in doing so today, as you have taken great interest in the affairs of this Chamber before you took up the reins of your distinguished office and we hope we can, therefore, venture to speak to you frankly and freely as a friend, as we still look upon you as one of ourselves, whose mind and heart work in unison and harmony with our rights, aspirations and expectations.

Government's Policy towards Key Industries

2. Your Department, Sir Ardeshir, will deal with Planning and Development for the post-war period. While we appreciate the need of a well thought out and comprehensive plan for the future industrial development, calculated to promote the real national interests of India, you will permit us to say that the policy of the Government of India to deny to Indians, during the period of the war, opportunities and facilities even to establish such vital industries in the country, as would assist the common war effort, is to be deeply deplored. War, as you know, has not prevented other parts of the British Commonwealth from starting basic industries in their countries—industries which have proved of great help to the war effort for the present and would strengthen the economic and defence needs of the country in the future. That is why both

Canada and Australia have developed such key industries as Shipbuilding, Aircraft and Automobile even during the period of the war. It is not for me to say how they have helped the common cause of the United Nations. It also does not require any imagination to realise how the establishment of such industries in India would have helped in the solution of the baffling problem of transport by land, by sea, and in the air and averted the severe calamities which befell the country during the last two years. This glaring contrast between the position of Canada and Australia on the one hand and India on the other brings home to us the tragic fact that India has no National Government of her own and consequently Indians are helpless in the matter of building up and advancing their economic and industrial development. You will, I am sure, agree with me that post-war planning does not necessarily postulate that India should do nothing even to start such new industries, while the war is on, industries as are vital to her present needs, both civil and military, and as are quite essential for her national economy and national defence in the future. We shall be obliged, Sir Ardeshir, if you will be good enough to tell us how the Government of India propose to help India in this matter of fundamental importance.

National Government essential for Industrialization of India

8. In your statement to the First Press Conference, on the 14th September 1944, at New Delhi, you remarked that " there are certain things which only a National Government can do, but on that account we cannot afford to stand still ". In your recent talk to the Indian Chamber of Commerce at Lahore, you gave them the assurance that " if I were not convinced that the Government of India are most genuine in regard to the post-war planning, I would not remain where I am at present even for a day more ". While we can understand your note of optimism, you will, I hope forgive me, when I say that recent events prevent us from sharing your confidence and hope. The appointment of an All-White Mission for exploring the possibilities of the establishment of the Fertilizer Industry, the non-association of even a single Indian with the Machine Tool Mission studying the prospects of the manufacture of machine tools in this country, the importing of fresh Europeans as experts for controlling the production and distribution of our vital industries, the subtle propaganda carried on by persons in seats of authority broadcasting the fact that it will be almost impossible to establish new industries in India without securing the co-operation

of British capital and British control, the warning given to Indian industries that they should not expect protection against any internal competition, although the same may be carried on by the powerful foreign vested Trusts and Combines entrenched in the country behind the tariff wall, the complete flouting of the public demand that non-official Indians enjoying the confidence of the country should be associated as equal members of Delegations going to such important Conferences as International Conference on Civil Aviation to be held in Chicago, the reservation of the strategic posts for Europeans in the field of planning, are no doubt some of the active indications of the present approach of the Government of India towards post-war planning and I am sure no patriotic Indian can find fault with those who cannot persuade themselves to believe that all these moves are in the true national interests of India.

India cannot tolerate Creation of any new Foreign Vested Interests

4. You, Sir, told the Press Conference last month that there were certain things which only a National Government could do. We shall thank you, if you will kindly enlighten us fully on the subject, so that we can have a clear picture as to what India will not have till a National Government is established in this country. It would be, I think, presumptuous for me to bring to the notice of one of the distinguished authors of the Plan of Economic Development for India, the place and importance of a National Government at the Centre in India, responsible to the people, for the successful execution of any effective planning that may be evolved. Although no one would, therefore, say "do nothing" till the National Government is established, national India will have to remain extremely vigilant to see that India's real interests are not sacrificed in the meantime by the creation of new vested foreign interests. For instance, there is a strong apprehension in the mind of the public that the fertilizer industry would be practically controlled and dominated by the Imperial Chemical Combine. It is true that the Government have indicated that "the factory or factories required to implement the scheme to establish manufacture of 350,000 tons of sulphate of ammonia should be State owned and State operated". Nowhere, however, has any assurance been given in response to the demands of the public and several commercial associations that the nationals of the country would be associated with the working of this industry from the very start, and that when

the industry is switched off from State operation and State ownership to private ownership and private control, it will be owned, controlled and managed by the nationals of the country only. You will, I am sure, agree with us that an industry, like the fertilizer industry, which is closely connected with the manufacture of explosives, is of vital importance to our national economy and national defence, and it is, therefore, imperative that the nationals of the country should be associated with it from its very inception, and while there may be no objection to seek the advice and guidance of foreign experts, they should be effectively under the control of the nationals in the actual running of the industry, whether it is run by the State or developed by private enterprise.

Policy Committee for Industries Welcomed

5. Sir Ardeshir, we welcome your decision to constitute a separate Committee, called a Policy Committee for Industries, and to set up industrial panels to consider the development of different industries which the Government have in view. We also note that you have suggested that Provinces may set up Industries Committees of their own where they do not exist. Your proposal seems to be that the reports of the panels as well as of the Provincial Committees will be co-ordinated and placed before the Central Policy Committee for Industries for their final consideration. While the procedure, thus outlined, may be helpful in working out the details of a plan for different industries, it will be recognised that there are several questions of fundamental importance which merit urgent consideration and immediate decision, if any plan for the industrial development of India in the post-war period is to be economically and successfully worked for, promoting the true national economy of this country, and for ensuring the real prosperity and happiness of its people in the future.

National Industries need Protection against Foreign Combines

6. What will be the policy of protection for the development of national industries in the future? And what will be the nature and extent of the power which the Government of India will enjoy for that purpose? These are no doubt questions of vital importance. You will, therefore, recognise the fact that we are entitled to get a proper clarification of these fundamental issues. The present half-hearted halting policy of discriminating protection will not do. The development of Indian industries under the policy of protection can

only mean the building up of industries where the capital, control and management should be in the hands of Indians. This was recognised by the Government of India as far back as 1916. What they actually did, however, is in sharp contrast with what they really professed. The manufacturer who used to compete with us from a distance, has been allowed to transfer his activities to India and has been competing with us from within our country. Such internal competition of foreign vested interests implanted and entrenched in this country is detrimental to our national interests. They, with their vast financial resources and with their world-wide contacts, have offered uneconomic competition and have wiped off the industries which the nationals of the country have tried to build up and develop in their own home. It is not necessary, I think, for me to give any instances to support the views that I am expressing. You, Sir Ardeshir, are well aware of the activities of such Combines as the Imperial Chemicals, Lever Bros., Swedish Match Combine, etc. We, therefore, submit that it is of supreme importance for the industrial development of India, in India's national interests, that industries owned, controlled and managed by the nationals of the country should be effectively protected from the internal competition carried on by such foreign Combines already established in India, and that immediate steps should be taken to ensure that no such foreign vested interests will be allowed to be created afresh in the country hereafter. This is the first essential condition for the successful working of any plan that may be prepared for the industrial regeneration of India.

Co-operation with Foreign Capital suicidal to India's Economic and Political Freedom

7. This naturally leads me to sound a note of warning against the danger of seeking the co-operation of foreign capital in our industrial development. We have been recently advised that we shall have no alternative but to seek the co-operation of such foreign capital and such foreign control, if India is really anxious to develop her new industries. We are told that without such co-operation and control, India may not get the benefit of foreign technical skill, foreign technical research and foreign technical personnel. I wonder if a threat will not be held out to us in the future that without such co-operation, we shall not get the capital goods that we require for the starting of new industries, and for developing the old ones that have already been established in the land. Sir Ardeshir, I want

to make it clear that India is not against the use of foreign capital as such, provided that capital is entirely under the control of the nationals of the land. You yourself, Sir, as one of the authors of the Economic Plan, have pointed out to the country the political control and political domination which such foreign capital has exercised in India in the past and is likely to exercise in the future. India cannot build up her economic structure and develop her proper national economy without having effective political power. It cannot do so as long as foreign capital and foreign control dominate our industrial field. That is, Sir Ardeshir, why you, as the author of the Plan, have made it a condition precedent to the economic development of India that she should have a National Government responsible to the people and she should accept no foreign capital which carried political power and political domination. We were, therefore, not a little surprised to note that in your talk to the Lahore Chamber the other day, you were reported to have said that the Government would leave it to industrialists to start industries without any consideration whether any industry was run by purely Indian capital or by joint Indian and British capital. We shall feel grateful to you, Sir Ardeshir, if you will be good enough to throw light on this vital matter, as we all have not the slightest doubt that the influx of foreign capital and the creation of new foreign vested interests in India will be a tragedy for her industrial development in her own real interests in the future.

India needs Unfettered Powers for Protecting and Promoting Her Industries

8. Sir Ardeshir, we are painfully aware of the safeguards provided in the existing constitution for the benefit of Britishers and for the advancement of British trade, commerce and industry. You yourself know very well what a grave injustice the so-called safeguards have done to India and how seriously they have prevented the industrial expansion in this country. This injustice has been so grave and glaring that even the Under Secretary of State for India had to announce in the House of Lords in July 1942 that "a guarantee of special protection for British commercial interests in India would not be a condition for the acceptance of whatever constitution Indians might evolve." The Federation, which is the mouthpiece of commercial and industrial India in this country, has always condemned these safeguards for the protection of British interests as inconsistent with India's rights and interests and has

said in unmistakable terms that they should not find a place in the future constitution of India. What India really wants is, as laid down by the Federation at its Annual Session in 1943, that " there should be no diminution of or restriction on the rights and powers of the future Government of India for pursuing any policy or adopting any measure they consider necessary for protecting and promoting the interests of India and Indians ". That is exactly what we understand you, Sir, as one of the authors of the Economic Plan, have in view in demanding the existence of a National Government enjoying popular support and completely free to do what it likes in economic matters for the successful working of the Plan which may be ultimately evolved. As is the existing safeguards were not sufficient for enabling the Britishers to continue their exploitation of India in the future, as in the past, both Mr. Churchill, in his recent speech in the House of Commons, and the Chancellor of the Exchequer, in his speech, the other day, at the Mansion House, have emphasised the necessity of continuing and maintaining imperial preference in the interests of Britain. India may make a number of plans. Indians have got sufficient intelligence to do so. The crucial question, however, is: Have they got the political power and the economic freedom for their successful working and effective execution? That is the question of questions, which is worrying us all. We shall, therefore, feel deeply grateful to you, Sir Ardeshir, if you will be good enough to take us into confidence and tell us what steps the Government of India propose to take to free us from these grave difficulties and serious handicaps and to ensure that India will have all the political power and economic freedom that India requires for promoting her economic uplift, her industrial regeneration, her national advance and her national prosperity.

Essential to clarify the nature and extent of Restrictions on Capital Issues

9. There are one or two other matters of great importance to which I would like to invite your very serious attention. The one is in connection with the restrictions which are imposed on the issue of capital in this country. The other refers to the burden of the existing policy of taxation on industries and the manner in which it is likely to retard their growth. Whatever may be the justification in the eyes of the Government for controlling the issue of capital in this country, the stipulations which they have laid down for the release of that capital are bound to militate against the successful

working of long-range schemes for industrialisation of India. The Government have announced that they will lay down regulations and restrictions for the working of certain industries in the future. Any one who starts a Company in India today will be bound by such regulations and restrictions. It is, therefore, essential for all of us to know what the policy of the Government is going to be in regard to the running of the industries by the State and in connection with allowing the private enterprise to function in the future as hitherto for the establishment and development of industries in this country. The public are entitled to know whether the State is going to enter the field of industries and if so, what industries they propose to run. Without a clear indication of the Government's policy on the subject, you will agree with us, it will be difficult for industrialists to evolve, much less to perfect, their plans for entering untrodden fields of industry in India. In this connection, we observe that you are reported to have remarked in your speech at the Lahore Chamber that the Government could not undertake to run any industries except ammunition factories. We would like you to clarify this important point very fully so that we might understand where we stand in regard to this vital matter. The Government have also announced that they would determine the location of industries. How is an industrialist to determine now as to where he should start a new industry in the country without knowing the exact policy of the Government in this connection? Moreover, the import of capital goods and machinery which will be required for the starting of new industries or bringing the existing industries up to modern standard is a matter of fundamental importance. Without the import of such goods, new industries cannot be started and the existing industries cannot be kept in their present efficiency. We shall be obliged, Sir Ardeshir, if you will kindly enlighten us in regard to these matters so that those of us who are anxious to contribute our share towards the plan for the economic development of this country might be able to know what restrictions and regulations are going to be enforced by the State and how we should, therefore, shape our activities in this matter for the future. While any further industrial development by the nationals of the country would be thus regulated and controlled by the State, we are afraid that is not the position so far as foreign companies with large interests in this country are concerned. We presume they can float a company abroad and start working in India. Not only will it be extremely unjust to Indian interests but it will also be highly pre-

judicial to the industrialisation of India in national interests hereafter. May I request you to kindly let us know what the policy of the Government of India is in this connection?

Policy of taxing Industries needs Revision

10. I shall now say a word about the existing policy of taxing industries. The manner in which industries have to pay the excess profits tax, income-tax and the corporation tax deprives many of them not only of the cent per cent of the excess profits but also a fair portion of the standard profits. You are aware, Sir Ardeshir, that industries in India, broadly speaking, might be said to be in the stage of infancy. Many of them are struggling to exist and develop. Very few of them have built up any substantial financial resources. Their position is, therefore, in sharp contrast with the position of industries in such countries as England and America. Apart from their meagre financial resources, they will have to find substantial sums of money for their re-equipment and modernisation, to say nothing about their expansion. It is not necessary for me to add that the cost of plant and machinery has gone up several times their original price. It has, therefore, been a matter of great anxiety to the industrialists as to where and how they should find money for their re-equipment, modernisation and expansion in the future. Without their doing so, they will not be able either to stand competition or to work economically and efficiently. Unless, therefore, a radical revision is made in the existing policy of taxing industries at an early date, after attaching due weight to the peculiar position of Indian industries in this country, can it be seriously contended that the existing industries will reach their full stature, to say nothing about the successful evolution of the policy of industrialisation in the future? We may be told that it is the Finance Department which deals with the policy of taxation. That may be technically correct. You are, however, Sir Ardeshir, entrusted with the task of creating a proper industrialised India in the future. We, therefore, feel that if the existing policy of taxation militates against such efforts on your part, it is within your province to see that that policy is fundamentally revised. We shall be obliged if you will kindly let us know what you propose to do in connection with this matter of importance to all of us.

Proposal for training of Personnel welcomed

11. Before I conclude, Sir Ardeshir, let me tell you that we fully endorse your statement that the question of personnel for the

development of industries is a matter of first-rate importance. We, therefore, welcome your proposal not only to send a large number of Indians for training to the U. K. and the U. S. A., but also to expand and multiply our educational institutions where such training can be obtained by our young men in their own home. We are also at one with you when you remark that one of the most urgent needs of the country is the training of geologists and the increase in the existing personnel of Geological Department. It is, however, of supreme importance to see that not a single mineral right is hereafter granted to foreign interests. They must be explored by the nationals of the country and all such preparations as are necessary for that purpose, we are sure, will be made under your guidance.

How to make Indian Industrial Mission fully Representative

12. We also welcome the decision of the Government of India to send an Indian Industrial Mission to England and America. We note that they will be given all opportunities and facilities for studying the present industrial organisation of those countries, the technical advances made by them during the last few years and their post-war industrial plans. We further observe that they will be free to arrange their programme and discuss any matter they like unfettered by any form of control by the Government. If the spirit in which the Mission is sent is fully maintained while it is touring both in the U. K. and America, I am sure, the knowledge and experience gained and the contacts made by the Mission will be of immense service in the execution of the industrial plan that may be ultimately evolved in this country. Representatives of important industries such as shipping and ship-building as well as some of those who are recognised as leaders of industries enjoying the confidence of the country, have unfortunately, however, not been included in the Delegation which is to proceed as an Industrial Mission to the countries mentioned above. We shall be indebted to you if you will, therefore, be good enough to exert your influence with the Government of India and to see that the Mission is not only representative of all those who have established their claims in building up industries in India but that it also includes the representatives of those who are capable of starting new, vital and key industries in the country in the post-war period.

Sir Ardeshir, let me thank you once again for coming here today and may I now request you to kindly let us have your views

and advice on the various points with which I have dealt in my speech this morning.

Summary of replies from the Hon'ble Sir Ardeshir Dalal, Member for Planning & Development, to the Presidential Address at the meeting of the Indian Merchants' Chamber of Commerce, Bombay, on the 30th October 1944.

The Hon'ble Sir Ardeshir Dalal, replying, thanked the President and the Committee of the Chamber for the very warm welcome they had accorded to him and opportunity of exchanging views across the table. He felt that he was meeting old friends and congratulated the President on his well-reasoned, restrained and dignified statement. He assured the Committee that he shared their viewpoint with regard to the position of Canada and Australia which had developed such key industries as ship-building, aircraft and automobile, even during the war period. He agreed that the number of industries which would have been established in this country would have been much more, had the same policy of industrialisation been followed here as in Canada and Australia. Many of the old established industries would have made greater progress and many new industries could have been organised. He added that since the beginning of the war many old established industries as well as the basic industries had made good progress as also the smaller industries. In this connection, he referred to the two Government of India publications which would soon be out giving details of the various industries which were started.

The Machine Tool Mission had not submitted their report as yet, but would make their recommendations shortly. He added that the Mission was requested to submit a report also on the question as to how the Machine Tool industry could be developed in India. The Committee of the Chamber had expressed certain doubts regarding the policy pursued by Government in respect of the fertilizers and regarding the activities of the Mission which had come here in connection with the same. He could not give any assurance regarding the ultimate outcome of the organisation and development of the fertilizer industry, as the subject did not fall within his purview, but was within the portfolio of his colleague, the Supply Member. He himself, however, felt that it was the intention of the Supply Member to associate the nationals of this country with the industry from the very start.

Coming to the question of internal competition of outside capital, he felt that it was more or less a political question and he could not say anything definite about it till the constitutional aspect was settled. As the Committee had rightly pointed out, nobody was opposed to foreign capital as such as long as the control did not pass to any outside agency. There was a remark in the speech of the President whether a threat would not be held out to the industrialists here in the future that without their co-operation regarding welcoming of foreign capital they would not be allowed to secure the capital goods for the starting of industries. This remark, he submitted, was unfounded. It was open to industrialists in this country to start new industries and if these industries stood in need of capital goods, there would be no difficulties raised in their way. In this connection, he referred to the suggestion made during the proceedings of the Industries Policy Committee to the effect that the Government of India should provide against unfair trade practices. There were some industries of a technical character which required State help, which would be forthcoming provided the industries proposed were of essential necessity to the country and had economic possibilities.

Regarding foreign experts, he did not mind them as long as " we remained masters in our own house ".

The Committee had suggested that India needed unfettered powers for protecting and promoting her industries. Sir Ardeshir agreed that there were a number of conditions attached to the so-called policy of discriminating protection which had outlived their utility. He assured them that he would see that the policy of protection was liberalised. He also gave an assurance that a permanent Tariff Board would be established. At the same time, he was strongly of the opinion that planning for economic development would not be successful unless there was a strong popular backing. What had happened in Russia was that the proletariat backed the Government of Russia to the fullest extent, which brought about these happy conditions. He further observed that for any effective realisation of planning on a vast and expansive scale, controls were necessary, as thereby various activities relating to industries would be co-ordinated. The Bombay Plan itself envisaged an element of control for effective realisation of its objects.

He also said that control was also essential for an even distribution of industries all over the country, subject of course to the

availability of raw materials and markets. To assist industrialists, it is proposed to allow them to place orders for their plants, etc. with the U. K. and the U. S. A. after registering these with the Government of India, the object being that while the majority of the orders will be allowed to go through, if Government found that in some cases there was obviously some uneconomic development, they will refuse permission.

He considered that for carrying out any big planning campaign on a generous scale as visualised by the Bombay Plan, hundreds and thousands of trained men would be required. He also agreed that provision should be made for imparting technical training as far as possible in India itself and that training institutions therefore should be established and enlarged. At the same time, he thought that trained young men should be sent out to foreign countries also for getting further technical training.

With regard to the issue of capital required during the war, controls will be required so as to prevent inflation and to see that raw materials, etc. required for war purposes were utilised to the best advantage. With regard to the issue of capital for post-war purposes, permission will be more liberally given, the condition being that a certain percentage of the issue will be taken up by the promoters and their friends and all the capital, except what was required for the immediate preliminary expenses, will be invested in Government bonds.

Regarding the policy of taxing industries, Sir Ardeshir assured the Committee that he would use his influence with the Finance Member of the Government of India to see that no unjustifiable burdens were placed on industry by way of taxation.

With regard to the personnel of the Industrial Mission proposed to be sent to England and America in the near future, he agreed that there should be representatives of Indian shipping and ship-building on the same. He would convey this view to the Hon'ble Sir Azizul Huque, Member for Commerce.

Later, some questions were put to Sir Ardeshir Dalal by Messrs. Manu Subedar, Sarabhai Prataprai, Ratilal M. Nanavati, Chhotabhai S. Patel, Sankalchand G. Shah and R. G. Saraiya and Prof. S. R. Davar and others. Replying to these Sir Ardeshir said :

Speaking for Government as a whole, he said there was no intention to hinder the existing industries or starting new ones.

There should be no conflict between the small-scale and cottage industries and the large industries. As a matter of fact, the former will be complementary to the latter.

The question of prices of the plants, etc. to be ordered was definitely raised at the Industries Policy Committee at Bombay, and he had invited a few members of that Committee to Delhi to go into the whole question.

The orders for replacing worn out machinery will be treated in the same way as others. In fact, such orders will get permission more easily.

At the Industries Committee, Government were asked whether it was definitely their policy to foster Indian industries immediately after the war, an assurance was given that this was the policy of Government.

Regarding safeguarding the present industries which had sprung up during the war because of non-availability of material from other sources, this was within the portfolio of the Supply Member. But, in his opinion, if any of these industries catered for the needs of the country, it would be the policy of the Government to protect them. In the case of others, there may be some which will be entirely uneconomical in peacetime, or which cater for a very small portion of people. It could not be asserted that each and every one of these, too, should be given protection.

APPENDIX 48

Anti-Inflationary Measures

Letter No. 482 dated 1st March 1944 from Chamber to Department of Industries and Civil Supplies, Government of India.

I am directed by the Committee of this Chamber to address Government in connection with the Anti-Inflationary Measures which they are taking in order presumably to check and bring down prices of goods used for civilian consumption.

My Committee would like to mention, in this connection, that measures like the Anti-Hoarding and Profiteering Ordinance, the Drug Control Order, the Ordinance limiting Bonuses and Dearness Allowances, etc. etc. taken by Government to stabilise prices of commodities of daily use, may not yield the desired results, so long as Government do not attack the very root of the matter. These mea-

sures can only bear fruitful results, my Committee feel, if simultaneously with these Orders Government make provision for adequate supplies of raw materials stores and spares and machinery to produce the articles which are put under Control. They would like, in this connection, to mention the steps which the Governments of the United States or Great Britain are taking by instituting special organizations. The office of the Civilian Requirements in America, e.g. endeavours to relieve shortage of civil supplies which might otherwise damage the health and morale of the people by allotting raw materials for making essential civilian goods to the manufacturers and such articles to be turned into finished products for civilian use. Similarly, my Committee understand that in England, the Board of Trade has entrusted this work to an important war-time branch called the Consumer Needs Branch which tries within the framework of the sources which can be spared for civilian production to satisfy as much demand as possible for consumption goods. Unless, therefore, the Government of India make adequate provision for studying civilian needs in India and enabling Indian industries to meet them, the Committee feel that the measures which Government are taking to bring down prices will bear no results and cannot in the very nature of things be an effective weapon in their hand to check the rise in prices, if supplies are inadequate. They are aware, in this connection, of the observations made some time back by the Finance Member of the Government of India to the effect that Government were contemplating measures to increase the production of civilian goods in the country. My Committee are not aware so far of any tangible steps taken by the authorities in that direction to relieve the poor consumers who have to pay exorbitant prices for daily articles.

With a view, therfore, to make goods available at cheaper rates, my Committee would like to reiterate once more that the authorities must take early steps to intensify production in the country and to that end, would like to recommend that necessary facilities must be extended and assistance rendered to Manufacturers in order that they may get their requirements of raw materials, spare parts and machinery, etc. and the finished products should then be made available for urgent civilian needs in India.

My Committee look with grave concern over the steps taken by Government in importing drugs, bicycles and such other articles, which could have been easily made available in the country itself, if necessary shipping priorities were given to Indian industries to import raw

materials, stores and spare parts to manufacture the articles imported. They would like to suggest, in this connection, that importation of finished goods should only be resorted to if such articles cannot be manufactured in the country.

In conclusion, my Committee request Government to consider the points raised above and to take necessary steps on the lines suggested therein.

Letter No. M-247 C.S.(B)44 dated 18th March 1944 from Department of Industries and Civil Supplies to Chamber

I am directed to refer to your letter No. 482, dated the 1st March 1944, on the subject of Anti-Inflationary Measures and to say that the Government of India fully appreciate the necessity of increasing supplies of consumers' goods side by side with the institution of measures to control their prices. The work of the various Government Departments in the U.K. and the U.S.A. referred to in your letter has its counter part in India in the constant efforts of the Department of Industries and Civil Supplies to release further productive capacity from War orders for the benefit of civil consumers and to import of adequate finished products, raw materials and machinery wherever necessary and possible. As a result of action on these lines taken either in this or other Departments of the Government of India, production of such vital consumers' goods as cotton cloth, matches, soap, glass, paper, etc. have been maintained at a high level, having regard to the difficulties of the internal transport situation and of coal supplies, etc. Supplies of further items such as woollen goods, leather, brass and aluminium utensils are gradually being made available in increasing quantities wherever it is possible to curtail military demands. In pursuance of this policy, India has become self-sufficient in many vital commodities for which the country was entirely dependent on imports from abroad before the war; a few examples in the case of heavy chemicals are Sodium Sulphide, Glycerine and Potassium Chlorate and in the field of Drugs, Bromides, Shark Liver Oil, Strychnine, etc. In view of the facts outlined above, it will be appreciated that tangible steps have in fact been taken by Government to relieve the consumer public.

2. As for the imports of finished goods such as drugs and bicycles into this country, your Committee is invited to consider the position in the light of the internal and of the world situation. The production of the type of commodities you mention is, at the present moment, insufficient to meet even a reasonable proportion of the total

demand in the country. At the same time, these are commodities which can rightly be regarded as necessities and it is clearly unreasonable to require the consuming public to wait a matter of months or years before production of such goods in this country can come into operation on a large enough scale to meet its needs, when supplies can be brought in from overseas. It is, in the circumstances, considered necessary in the interests of national economy to import such finished goods. The possibility of expanding indigenous production of such commodities is, at the same time, borne in mind and the Government are continuously endeavouring to ensure larger supplies of complete plants or of component parts. It will be appreciated, however, that considerable difficulties exist in securing the importation of such plant and component parts, as the principal producing centres themselves are not now in a position to supply them, their entire effort being concentrated on production required strictly for war purposes. In addition to this, certain internal difficulties too must be borne in mind, which preclude, at the present moment, any substantial expansion of production in the country. These difficulties, viz. shortages of coal and wagons, and of skilled labour must all be well known to you and while Government is doing everything possible, to remove these difficulties, it is important to realise that there are definite obstacles in the way of expanding production and that their removal will take some time.

3. It will be seen thus that, in the main, there is no real difference between the policy which Government is following and that which you are now recommending.

Letter No. 1165 dated 12th June 1944 from Chamber to Department of Industries and Civil Supplies.

I am directed to refer to your letter No. M.247CS(B)/44 of the 18th March 1944, on the above subject. My Committee have given full consideration to the statements and observations made by Government therein. In the concluding paragraph of the letter under reply, it is observed that " in the main there is no real difference between the policy which Government is following and that which you are now recommending." If Government's policy were the same as that advocated by my Committee nothing would have pleased them more. This claim that there is complete identity of outlook in regard to this particular question between Government and commercial interests, however, cannot be substantiated or will not be borne out by a scrutiny of the measures so far taken by Government in furthering the

achievement of the objects referred to in the previous correspondence. The point of view which my Committee have all along taken in this matter may be briefly summarised as under :

(i) that in order to check the existing inflationary position and with a view to minimise the hardship caused by the high degree of scarcity in consumers' goods concerted attempts should be made to step up production in the country with a view to increasing the supplies of such goods to an appreciable extent;

(ii) that Government should, by a programme of purposive direction, assist in filling up the gaps in the industrial structure by promoting such new industries in regard to products which were hitherto being met from imported sources as also assist expansion of existing units in other lines to enable output being increased to catch up with the demand;

(iii) that Government should assist in securing for industrialists supplies of machinery and equipment, accessories and parts and essential materials with a view to making increased efforts in the above directions possible, and

(iv) that assistance or efforts for meeting the internal demand from imported supplies should be strictly confined to lines in which India, having regard to her resources and capacity, both existing and potential, cannot manufacture such goods within the country and in cases where they are manufactured import assistance should be strictly limited to the extent of the deficiency in local production and supply, after having made all possible measures for intensifying and increasing such production and supply.

These are, in the opinion of my Committee, essential postulates for any effective policy of intensifying production and meeting scarcity in the country during the present times of strain and stress. They cannot help feeling that Government cannot claim to have taken sustained action on a co-ordinated basis on these lines. In the field of promoting new industries or expanding existing ones, the policy has been one of drift. Government have not been slow to find out reasons or justifications in extenuation of their inability to fill up the lacuna in our industrial structure or of their hesitance to secure more positive assistance for starting new industries or for getting additional equipment and materials for existing ones. Government

have pointed out to the difficulties inherent in the existing situation in persuading countries manufacturing capital goods for sparing to India, at this critical juncture, complete plants or component parts. While my Committee are not oblivious to this limitation, they will only in answer point out to the results achieved, as a contrast, in countries like Australia or Canada. It is common knowledge that Australia which had no large scale or heavy industries of any importance before the war, has made such rapid all-round strides during the last five years that she is now not only in a position of self-sufficiency, but also is able to spare from her production sufficient quantities for purposes of export assistance to some of the Allied Countries. If it was possible for Australia—and it cannot be said that the natural and other facilities conducive to industrial development are greater in Australia than in India—there is no reason why, if the Government of India had also compelled attention and pursued their demands and requests with a singleness of purpose, similar results could not have been achieved here also. The contrast is too significant and striking to be missed.

Government in the second paragraph of their letter mention that " Government are continuously endeavouring to ensure larger supplies of complete plants or of component parts." It would be interesting to have information about the types and kinds of industries producing civilian consumers' goods for which Government have obtained such complete plants and component parts and the countries from which the machinery and parts were imported. Incidentally, they would like to know what efforts Government have made for developing the manufacture of aluminium in India. It has been established after preliminary investigations by Government agencies themselves that facilities and natural advantages are available in the Bombay Presidency for production of aluminium and yet no practical steps have been taken to develop this industry. Government have, on the other hand by the various restrictions which they have imposed in the matter of capital issues, priorities, licences, transport, etc., put difficulties in the way of the establishment of new industries in the country.

Government are referring to want of skilled labour as one of the limiting factors to any sustained attempt for intensifying production or for establishing new industries. In all countries, in the early stages of industrial development, industries had themselves to arrange for making their unskilled men skilled workers and

experience, both here and elsewhere, has shown that it is not an insurmountable difficulty. My Committee agree that some kind of highly technical and specialised personnel will be necessary for manning certain types of specialised lines. Here also Government have been very slow to secure facilities for Indian personnel being trained in industrial establishments in other countries. The Central Legislature had since the year 1921 pressed for arrangements for such training facilities for Indian Nationals in technical occupations in the U. K. In the year 1938, the Bombay Provincial Legislature reiterated the need for such facilities by passing a resolution to that effect which, my Committee believe, must have been duly communicated to the Government of India. Perhaps, the Bevin Training Scheme may be expanded and made more extensive with a view to providing facilities for Indian apprentices to be trained in all specialised arts and crafts connected with industry. A planned programme of selecting the necessary personnel in consultation with industrial undertakings and assisting them to secure intensive training in specialised departments may be worked out and pursued.

In referring to the objection taken by my Committee to the steps taken by Government in assisting the importation of certain consumer goods, Government observe that " it is clearly unreasonable to require the consuming public to wait a matter of months or years before production of such goods in this country can come into operation on a large enough scale to meet its needs ". My Committee are unable to share the point of view disclosed by Government in their above remarks. On that basis, industrialisation of the country to the full extent of the possibilities, both existing and potential, will have to be postponed indefinitely. It must be realised that at the commencement of the war, Indian Industrialists were encouraged by Government by promises of definite assistance, to establish new industries and to expand existing ones. The process has not been accelerated because Government themselves have not been liberal in getting to such industries, machinery and materials and other assistance necessary on an effective scale. If now, such industries are again to be presented by the spectacle of competition of corresponding imported goods brought into the country by an assisted programme of imports, they will justifiably be nervous about their future position in the country. Such a development, more than anything else, will act as a damper on any efforts for increasing production or for establishing new industries. My Committee sub-

mit that in all such cases, it is the duty of Government to assist existing industries to expand their manufacturing capacity and help them to do so by getting them all the materials, parts, machinery and technical skill. It is very difficult to convince the industrial public of this country that it would be more easy for Government to arrange for imports of finished bicycles than to get the materials and parts which are necessary for Indian bicycle factories to increase their production or for getting imported supplies of tooth-paste than for securing priorities for Indian manufacturers of tooth-paste to get supplies of tubes, chemicals and other similar materials.

The attention of my Committee has been drawn in this connection to the replies given by the Hon'ble Sir Azizul Huque to questions put in the Legislative Assembly on 25th February 1944 on the question of imports of consumers' goods from the U. K., in the course of which, it was mentioned that the imports of the following items of consumers' goods were being encouraged by Government :

Artificial silk fabrics; Artificial silk yarn thread; Books; Chemicals household; Cotton piecegoods—others; Cotton Sewing Thread; Crockery; Cutlery including razor blades; Cycle and parts; Domestic sewing machines and parts; Drugs and Medicines; Electrical lamps of all kinds; Essential oils; Glassware; Handknitting wool; Hardware; Hosiery; Hurricane lamps; Light Motor Cycles; Liquors; Newsprint; Oil Cloth and Floor Cloth; Optical Instrument, Apparatus and Equipment; Paints; Paper of all kinds; Pipe Tobacco; Photographic negative and printing paper; Polish and compositions; Professional and Scientific Instruments; Secondhand clothing; Stationery; Toilet requisites; Torches and components; Typewriters.

My Committee have gone through the list and they feel that in the case of some, imports could have been avoided while in the case of many others the requirements could have been met by intensifying local production.

It is significant to mention that in reply to a question whether the Government of India consulted any representatives of industry in order to find out if the supply of the said commodities could be increased through local manufacture and what steps, including Government help, were necessary in order to increase supplies of the same through local manufacture, the Hon'ble the Commerce Member is reported to have said that " No special consultations were held in this behalf ". The reply shows that Government have

not shown any anxiety to assure themselves and the public that before rushing to get such imports, they had made every effort to increase local production or promote local supplies.

In the concluding portion of the first para of your letter, it is observed that " India has become self-sufficient in many vital commodities for which the country was entirely dependent on imports from abroad before the war " and Sodium Sulphide is mentioned as an instance in point. My Committee have been informed by interests connected with the chemical industry that this statement is far from correct. It appears that about 8 to 10 factories were started in Bombay for the manufacture of this chemical during the year 1942-43. In the latter part of 1943 the Imperial Chemical Industries (India) Ltd., were enabled to import a fairly large quantity of this chemical and offered it for sale at a price very much below its cost of production in the country and it is a clear case for protecting the industry against the cutting foreign competition in every possible manner. This led to the Indian industry being made to suffer due to the effects of uneconomic competition and many of the factories which had been started for the manufacture of this chemical had, my Committee understand, to close down. Sodium Sulphide can be manufactured from Sodium Sulphate which is a waste product in Bichromate industry and the Indian Bichromate industry now finds itself in a position of not being able to utilise this bye-product inasmuch as it cannot find a market for its Sodium Sulphide, in the face of the competition offered by the imported stuff. My Committee also understand that the Indian Chemical Manufacturing interests, through Indian Chemical Manufacturers' Association, are submitting to Government detailed representation regarding possibilities of manufacturing essential chemicals in the country such as: (1) Alumina Ferric; (2) Magnesium Sulphate; (3) Zinc Chloride; (4) Copper Sulphate; (5) Sodium Bichromate; (6) Thio Sulphate; (7) Sodium Sulphide; (8) Calcium Chloride.

They are assured by those entitled to speak with authority on the subject that all these chemicals can be manufactured within the country to the extent of meeting the full internal requirements and what is required is Government encouragement and patronage with a view to the object being achieved. My Committee have to request Government to be pleased to examine the suggestions and proposals which may emanate from the Indian Chemical Manu-

facturers' Association with a view to affording them all facilities for enabling the manufacture of all these chemicals in the country to the full extent of the internal requirement.

In the first paragraph of your letter under reply, it is observed that Government had made constant efforts " to import adequate finished products, raw materials and machinery wherever necessary and possible." In this connection, the Shuttle Manufacturers' Association has pointed out to my Committee how in spite of repeated appeals from manufacturers of shuttle, Government have not taken any effective steps for securing for them the necessary supplies of wooden blocks. Both the manufacturers in the U. K. and in India depend on the U. S. A. for the supplies of such blocks. Priority assistance was not granted to the Indian Manufacturers on the ground that the raw material would absorb more shipping space than the finished shuttles. It was, however, pointed out to Government that the raw materials would actually occupy less shipping space than the finished goods and that by securing direct imports of blocks from the U. S. A., the wastage in transport by the blocks having first to be transported to U. K. and then again shipped in the form of shuttles to India from that country would be eliminated. Instead of giving to the Indian Industry the required assistance in that direction, Government, it is now understood, are importing shuttles direct from the U. S. A. under Lease and Lend to be sold at a price comparably higher than that ruling either here or for those imported from the U. K. If only Government had assisted Indian manufacturers in securing necessary supplies of wooden blocks, the Shuttle Manufacturing Industry would have been assisted in its development, thereby ensuring supplies of shuttles at economic rates on a permanent basis for the Indian Textile Industry.

Similarly, the bobbin industry is also facing serious difficulties and full particulars relating to the same, it appears, have already been furnished to Government.

In conclusion, my Committee again earnestly urge upon the Government of India the necessity for formulating a co-ordinated policy on the lines indicated in the opening paragraphs of this communication and for taking steps for pursuing that policy in an effective manner with enthusiasm and vigour so that the country may at no distant date be in a position of self-sufficiency in regard to her essential civil requirements. Production of consumer goods

should, at this juncture, be deemed a war-effort of great importance and industries doing so should be entitled to the same degree of priority and assistance as industries engaged in war work.'

APPENDIX 49

Central Consumers' Council

Letter No. 1094 dated 1st June 1944 from Chamber to Department of Industries and Civil Supplies.

The attention of the Committee of this Chamber has been drawn to a paragraph in a newspaper from which it appears that the Government of India have decided to set up a Central Consumers' Council composed, in the words of the press report, of prominent non-official men and women. It is said that the functions of the Council will be to advise Government on the types of consumer goods required by the public, on the working of price control measures and on suggestions regarding distribution and economy in the use of such commodities as are in short supply. While my Committee appreciate the idea of a Consumers' Council, they cannot understand on what principle or principles the personnel of the Consumers' Council is selected. The Council proposed to be composed consists mainly of newspaper people and a few members of the Legislature. My Committee are of opinion that while the choice in several cases is unexceptionable, the absence of any businessman on the proposed Council, is to be deeply regretted. The Consumers' Council has certain functions to perform. They are mentioned above. In the performance of these functions, it will be their duty to ensure that the industries of the country, including those which have been established during the war, do not suffer in any way but will be encouraged to reach their normal growth and expansion. My Committee have no doubt that it will, therefore, be recognised that the work will not be carried on satisfactorily and the aims and objects of Government will not be secured unless they have got a good and strong element of business people on the Council. My Committee hope, therefore, that Government will be pleased to take the necessary steps to invite leading Chambers of Commerce to nominate their representatives on the Council.

Letter No. 38(11)G.C.|44 dated 7th June 1944 from Department of Industries and Civil Supplies to Chamber.

I am directed to refer to your letter No. 1094 dated the 1st June 1944 about the representation of the Indian Merchants'

Chamber on the Consumers' Council and to say that all places on the Council have now been filled up and that there are at present no vacancies for the appointment of fresh members.

Letter No. 1234 dated 22nd June 1944 from Chamber to Department of Industries and Civil Supplies.

I am directed to acknowledge the receipt of your letter No. 38(11)-GC/44 dated the 7th June 1944.

It is regretted that the tone of the reply of the Government of India is not a happy one. Government have considered the letter of the 1st instant from my Committee under reference as if it was an application for a job. The Consumers' Council, if it is going to fulfil a useful function, should be a representative body and Government cannot afford to neglect the claims of Chambers of Commerce for representation on that Council. In the selection of members to the Consumers' Council Government do not appear to have followed any particular policy, but they have selected a few individuals here and there, on the basis, perhaps, of individual merits. The Consumers' Council should, in the opinion of my Committee, be in touch with the consumers and with representatives of trade and business people. If these principles are not accepted in the appointment of the Consumers' Council, it will be merely a waste of time and labour. Not only will it not serve the ends for which evidently Government have nominated it, but my Committee are also afraid that its recommendations may be such as might prejudice the true interests of India. It is hoped that Government will carefully consider this further letter from my Committee and provide for representation of Chambers of Commerce. Surely, there cannot be any definite limit to the number of members on the Consumers' Council, and Government cannot plead that there are at present no vacancies for the appointment of fresh members.

APPENDIX 50

Quotations offered by the British Manufacturers of Machinery, etc.

Letter No. 2370 dated 24th November 1944 from Chamber to Department of Planning and Development, Government of India.

I am directed by the Committee of this Chamber to address Government on the question of the high prices at present quoted

by British manufacturers of machinery, while registering orders from Indian firms. My Committee would like to state, in this connection, that as a result of the monopolistic position which the British manufacturers have come to occupy today, they have been quoting prices for machinery which are nearly three times the prices which ruled before the war. Indian importers, in order to be able to equip their plants now and after the war, have necessarily to accept the quotations, and to register their orders with foreign firms in order to get the machinery.

The Committee further understand that the British manufacturers make it a condition that a sum in rupees as earnest money equivalent approximately to five per cent of the nominal total nett F.O.B. to be paid while the order is being entered in the Makers' books to rank for priority. At the same time the manufacturers keep themselves free to quote such prices and terms and conditions as they consider applicable at the time the Makers are in a position to commence manufacture of the orders. Should, however, Indian importers decide to cancel their orders then on account of the prices and terms and conditions being not suitable they stand to forfeit the amount so remitted. This means that the Indian importers have to first register their orders blindly and accept whatever prices and terms that are imposed on them at a later date, or else they stand to lose their 5 per cent earnest money.

This whole aspect of high prices of machinery and the procedure of obtaining priorities with a view to safeguard the interests of Indian consumers was discussed by the Committee when they met the Hon'ble Sir Ardeshir Dalal, Member for Planning and Development. My Committee, however, regret to point out that so far no tangible steps have been taken by the authorities to protect the Indian consumers from this exploitation. They, therefore, suggest that steps should be taken by Government by publishing a communique to the effect that pending Government's clarification with foreign manufacturers, buyers from this country should not rush in for placing orders. Such a procedure, my Committee feel, will allay any apprehensions and protect the importers from any avoidable commitments.

APPENDIX 51

Formation of an All-India Handloom Board

Letter No. 1177 dated 13th June 1944 from Chamber to Revenue Department, Government of Bombay.

I am directed to refer to your letter No. 10058-J/39 of the 20th May 1944 together with its accompaniment on the above subject and to express the views of my Committee as under :—

My Committee welcome the proposal of the formation of an All-India Handloom Board with a view to consolidate the position of handloom weavers in the country. They would like to point out in this connection that during the last one or two decades the economic position of the handloom weavers in most parts of India has become very distressing; a large number of them receive no more income than an unskilled labourer. There were various factors connected with the issue and the miserable plight of those engaged in the industry.

Handloom weaving is one of the largest cottage industries in the country; there are as many as two million looms working and more than two and a half million workers engaged in it, and it would be in the fitness of things if an All-India Board were constituted at an early date to improve and rehabilitate the economic and social position of those engaged in the industry. As a matter of fact, a suggestion for forming such a Board had already been made to the Fact Finding Committee by Mr. J. M. Doak, Manager of the Madura Mills, in his memorandum submitted to the Thomas Committee. In the course of his memorandum he had also discussed the functions which the Board would have to discharge to rehabilitate a large number of people—nearly ten millions—depending on this industry. The Government of India in their letter under reference have also referred to the various aspects connected with this question and my Committee are in agreement with the views which the meeting of the Officers of the Department of Industries and Civil Supplies and Members of the Handloom Committee of the Textile Control Board expressed while they met at Madras on 2nd December 1943. There are, however, certain aspects which have not been referred to by the said Committee particularly in connection with the representation given to certain interests on the Board. They, therefore, suggest that representation should be granted to the All-India Spinners' Association which is one of the

largest organised bodies interested in the question of handloom weaving. My Committee also feel that representation should be given to the Co-operative Societies of Handloom weavers. As a matter of fact, this aspect has already been touched by the Fact Finding Committee Report, which has been made available to the Committee of this Chamber. In order that all interests of consumers, producers and distributors may be properly represented, my Committee feel that a representation should be given to the Indian Merchants' Chamber, Bombay. It has been pointed out in the letter of the Government of India that six persons of the millowning interests and yarn trade would represent the respective interests and these representatives, it has been suggested, would be nominated by the Textile Control Board. My Committee in this respect would like to suggest that representatives of millowning interests and yarn trade, instead of being nominated by the Textile Control Board, should be appointed by the respective trade associations concerned because these associations would send persons who would be well-versed with the issues that would arise while discussing several matters that would come before the Board.

The Government of India have not officially published the report of the Fact Finding Committee (Handloom and Mills); but copies of the Report are made available to recognised Chambers of Commerce and other allied bodies. My Committee feel that the work of the Handloom Board would be greatly facilitated if this report were officially published by the Government of India where all aspects of the handloom industry have been fully and exhaustively discussed.

APPENDIX 52

Manufacture of Chemical Fertilisers

Telegram dated 17th June 1944 from Chamber to Hon'ble the Supply Member, Government of India.

" Committee Indian Merchants' Chamber are definitely of opinion that it is quite essential that Indian Chemists and Chemical Engineers of repute should be associated as equal members with the experts who have been called here for making report on the project for the manufacture of artificial fertilisers. They should be called and their names should be announced without any delay as Committee understand that experts have arrived and will take the work

in hand immediately. Indian public is intensely interested in this key industry and it is therefore necessary that report to be made by these experts should be made available to the public and their views should be invited before any action is taken on the recommendations made therein. Indian national economy and Indian national opinion have made it quite clear that all industries and particularly key industries in the future must be established with Indian capital and should be run with Indian personnel wherever possible and should always be under Indian control. Committee seriously concerned at reports current that this key industry will be run with non-Indian capital and will be placed under control of the Imperial Chemical company. They therefore request that the Government should remove the serious anxiety which the public has been feeling on this score and should give the necessary assurance to the public that the policy of Indian capital, Indian personnel and Indian control will not be departed from with regard to fertiliser industry. It is also of equal importance that orders for the machinery that may be necessary for this industry should be placed wherever the same may be available of best quality with the cheapest price and not necessarily be given to certain vested interests."

Telegram dated 12th July 1944 from Chamber to Hon'ble the Supply Member, Government of India.

Committee Indian Merchants' Chamber sent a telegram to you on seventeenth June urging Association of Indian Chemists and Chemical Engineers in the survey at present being conducted regarding the prospects of manufacturing artificial fertilizers in the country and seeking assurance that ownership control direction and management of the industry when started will be definitely placed in the hands of the nationals of the country. Committee regret that they have not heard from Government so far. In the meanwhile reports that have appeared in the press and are continuing to appear are very disconcerting. According to these reports Government seem to be committed with certain foreign vested interests in regard to the ownership management and control of the proposed industry. Even if private share capital is to be enlisted for the purpose the reports mention that a substantial portion will be allotted to foreign interests like the Imperial Chemical Industries. Committee request that Government should immediately issue a full statement clarifying the position. Committee have no doubt that Government are fully aware of very strong views and feelings in the country which

they must emphasise that in India's own interests all industries in India should be owned, controlled and managed by the sons of the soil particularly key industries of such national importance as the manufacturing of fertilisers. Indian scientific and industrial experts should therefore be deputed to visit United Kingdom and America to examine and have first-hand knowledge of the working of the industry and to make arrangements for procuring the necessary machinery for use here. While technical assistance from foreign experts in the matter of advice and guidance may be secured and foreign experts if necessary may be employed in the initial stages as in the case of the efforts now being made in Travancore Committee consider it their duty to urge upon Government as earnestly as they can that they should not allow any new British or foreign vested interests to be created by giving them financial interest control or management of Indian industries as such further outside economic penetration and exploitation is not only detrimental to the building up of true national economy but is also seriously prejudicial to country's march towards political freedom. Committee would therefore submit that Government should be pleased to implement the policy of starting building up and developing industries in India only under the ownership control and management of the nationals of the country.

Telegram dated 12th September 1944 from Chamber to Hon'ble the Supply Member, Government of India.

" Committee Indian Merchants' Chamber request you to kindly refer to two telegrams the first of seventeenth June and the second of twelfth July which they sent to you in reference to investigations which are at present being carried on by the Expert Mission specially invited to India for that purpose in connection with several problems arising in connection with the possibility of manufacturing artificial fertilizers in this country. Committee stated in those telegrams that they regretted non-association of Indian chemists and chemical engineers of repute with such investigations and in view of the importance of the fertilizer industry to national economy and its close association with the manufacture of explosives emphasised the fact that it was imperative in the best interests of the country that the ownership, control and management of such a basic industry when started should be vested in the nationals of the land. Committee are constrained to state that they feel disappointed that so

far they have not been favoured with any reply to those two telegrams. Committee understand that the Expert Mission have finished their labours and have submitted their report to Government. Committee submit that it is essential that the report submitted by the Expert Mission should be fully published and that no action on the recommendations contained therein should be taken by Government without giving the commercial interests fullest opportunity to express their views and opinion in connection with same. Committee would therefore feel grateful if Government would indicate their views and policy in this connection and when they propose to publish the report of the Expert Mission for enabling all interests to express their views in connection with establishment of such a basic industry which has large potentialities for the development of agriculture as well as for forging weapons of defence for India ".

Letter No. FTM 7|44 dated 21st September 1944 from Supply Department, to Chamber.

With reference to your telegram dated the 12-9-1944 to the Hon'ble Sir Ramaswami Mudaliar, Hon'ble Member for Supply, on the above subject, and in continuation of this Department's letter No. FTM. 7/44, dated the 14-9-1944, I am directed to state that the personnel of the Reception Committee who met and consulted with the Members of the Mission included two eminent Indian Chemists, who adequately represented the Chemical Industry.

2. The Mission has not yet submitted its report, and it is the intention of Government, after the report of the Mission has been received and considered, to re-assemble the Reception Committee and other parties interested in order to afford them an opportunity to discuss the recommendations of the Mission, before final decisions are arrived at by Government.

3. In regard to the question of ownership, control and management of the industry, I am to say that Government intend that the factory or factories required to implement the scheme to establish manufacture of 850,000 tons of Sulphate of Ammonia should be State-owned and State-operated. In this connection, a copy of a Press Note issued in May 1944 on the subject is enclosed for your information. Your attention is invited in particular to paras 2 and 3 thereof.

PRESS NOTE

Increasing India's Food Supplies

350,000 *tons of Artificial Fertilizer Production In India on Non-Profit Basis*

Representatives from the six major provinces met the Hon'ble Supply Member, Sir Ramaswami Mudaliar, and officers of various departments of the Government of India on 29th April to discuss the action necessary to implement the aim of producing in India 350,000 tons of artificial fertilizer as short-term measure to increase food supplies.

There was general agreement that Government-controlled units should be established for the production of fertilizer on a non-profit basis, and that these units should be large enough to allow for the most economical cost of prduction possible. The major part, if not all, of the capital would be provided by the Central and Provincial Governments and by Indian States willing to participate, and the fertilizer produced would be allocated to the various Governments according to their demands, as far as possible.

The possibility of independent enterprise was not precluded, but in the national interest, it was considered necessary that substantial State-controlled enterprises should hold first place. The arrangements, for distribution of fertilizer to cultivators would be for the individual Governments to decide, but the programme would aim at an all-India wholesale ex-factory cost of the fertilizer.

The Government of India representatives gave details of offers of assistance received from the United Kingdom and (through the India Supply Mission) from America. It was felt that there might be scope for utilizing from both sources such part of the plant as can only at present be manufactured overseas after enquiry as to costs. In view of the necessity of obtaining the services of experts acquainted with the erection and the working of these complex fertilizer-manufacturing plants and of training men in India in their operation and management, it was unanimously agreed to accept the offer of the Secretary of State to send out, at an early date, a team fully experienced in the design and operation of plants and in the requirements of power and materials, for the purpose of examining which form of artificial fertilizer can most suitably be manufactured, the type of plant which should be erected, and the

conditions in respect of power, raw materials which would most suitably fulfil the aim of economic production.

The Government of India propose to appoint a Committee, including representatives for Indian State interests and suitable experts, to provide information and for discussion with the visiting team. The Provinces on their side will each appoint an officer to co-ordinate their own information and suggestions, and to deal with enquiries and tours by the visiting team and the Government of India's Committee.

Letter No. 1987 dated 30th September 1944 from Chamber to Supply Department.

I am directed by my Committee to acknowledge, with thanks, your letter No. FTM/7/44, of the 21st instant, in reply to the telegram which they had sent to the Honourable the Supply Member on the 12th September, and to place their views, as mentioned below, for your careful and favourable consideration.

2. Your letter states that the personnel of the Reception Committee who met and consulted with the Members of the Mission included two eminent Indian Chemists and adds that they adequately represented the chemical industry. While my Committee appreciate the inclusion of two eminent Indian Chemists, amongst the Members of the Reception Committee, the point, which they have all along emphasised, from the beginning, as of vital importance, does not seem to have received your favourable consideration. My Committee urged upon the Government of India, from the very start, the necessity of associating Indian Chemists and Chemical Engineers of repute as equal members along with the Mission in the survey which was being conducted regarding the prospects of manufacturing artificial fertilizers in the country. You will, no doubt, appreciate the fact that such association is of far greater importance than the mere position of becoming Members of the Reception Committee for the purpose of meeting the Mission. It would be during the survey that was proposed that questions of great importance would come up for decision, and my Committee have no doubt that the association of Indians along with the Mission in such a survey and the proposed tour would have been of considerable value to the future prospects of the industry which the Government propose to start in this country.

3. As regards the second paragraph of your letter, my Committee are strongly of the opinion that, in view of the vital impor-

tance of this industry to India, it is essential that the Report of the Mission should be published for general information and the commercial community should be given an opportunity of expressing their views in regard to the points raised therein. My Committee have, therefore, to request the Government to publish the Report, at as early a date as possible, after it is submitted by the Mission, and to consult the representatives of the commercial organisations in connection with their recommendations before the Government decide to take any final decisions in connection therewith. My Committee will feel grateful to you if you will kindly let them know how the Government propose to proceed in this matter.

4. So far as the third paragraph of your letter is concerned, my Committee note that it is the intention of the Government that the factory or factories required to implement the scheme to establish manufacture of 350,000 tons of Sulphate of Ammonia should be State-owned and State-operated. My Committee have no doubt that the Government will give fullest opportunity for the association of national talent and national skill in the operation of this industry from the very start and will also provide for ample opportunities and facilities for enabling the nationals of the country to receive the necessary training in the running of this industry.

5. My Committee also observe from the copy of the Press Note sent along with your letter—for which they thank you—that the possibility of independent enterprise coming in into this industry was not precluded. It has been brought to the notice of my Committee that the Honourable the Supply Member has also stated that after the first 360,000 tons are produced and distributed under the Government control and management, possibly " private enterprise would step in and take over production ". In view of the vital importance of this industry to agriculture and having regard to its close association with the making of explosives, when necessary, my Committee are anxious to see that whenever private enterprise is allowed to step in the field of this industry, the industry must be owned, controlled and managed by the nationals of the country. My Committee feel sure that the Government will recognise that it is against the interests of this country to allow non-national interests either to own, control or dominate this industry. My Committee will, therefore, feel obliged if the Government will assure them that whenever the services of private enterprise are requisitioned for the running of this industry or whenever the private interests are allowed

to develop this industry, the entire ownership, control and management will be allowed to be retained in the hands of the nationals of the country and that no non-national or outside interests will be allowed to be created in this field.

Letter No. FTM. 7|ii|44 dated 5th October 1944 from Supply Department, Government of India, to Chamber.

I am directed to acknowledge receipt of your letter No. 1987, dated 30th September 1944, the contents of which have been noted.

In regard to para 3 of your letter, I am to say that the Government of India will consider the question of the publication of the Mission's report after it has been received and examined.

APPENDIX 53

Training of Personnel in Agronomy and Research Work

Telegram dated 3rd August 1944 from Chamber to Department of Agriculture, Government of India.

In connection with the visit of the Fertilisers Mission Committee Indian Merchants' Chamber urge that two Agricultural Scientists from each province should be associated with the experts in the final stages of their survey and arrangements should also be made for these scientists to accompany the Mission when they go back for being trained in all technical and scientific aspects relating to agriculture both in United Kingdom and U.S.A. Government have already announced that scientific development of agriculture will be an important feature of their plans for reconstruction and it is very essential in order to secure progress on correct lines that we should have the necessary personnel trained in agronomy and research and effective application for desired result. Committee request favourable consideration and early action.

Letter No. 7753-P|44 dated 15th August 1944 from Department of Education, Health and Lands to Chamber.

With reference to your telegram dated the 3rd August 1944, on the abovementioned subject, I am directed to inform you that your suggestion regarding sending men abroad for training in agronomy and research has been noted for consideration by the Government of India.

APPENDIX 54

Utilization of Industrial Research and Granting of Exclusive Rights

Letter No. 870 dated 9th May 1944 from Chamber to Department of Industries and Civil Supplies.

I am directed by the Committee of this Chamber to address Government in connection with the utilization of industrial researches made under the instructions of the Council of Scientific and Industrial Research. The Council publish, from time to time, non-technical notes prepared under their auspices regarding schemes of researches ready for commercial utilization. These notes are published and also circulated to Chambers of Commerce and other public bodies. Simultaneously, offers for exploitation of the results of researches are invited. After such offers are received, the Industrial Research Utilization Committee, it is understood, considers them and recommends grant of the right of exploitation of particular research to the selected party on terms and conditions decided upon by the Committee on the merit of the offers.

My Committee beg to suggest that the present system of inviting offers and giving exclusive right of exploitation to a single party for any particular scheme should be substituted by a system of Licences for the right of utilization on rent, so that a large number of applicants could take advantage of the schemes in question and thereby the manufacturing opportunities will be broadened. During the war a number of small-scale industries have been started and it is necessary to ensure their survival even in the post-war period. The larger industries too require for their economic functioning, the help of properly developed ancillary industries working on a smaller and on a cheaper basis, and as science is the soul of both the small-scale industries and the larger ones, smaller ones should not be denied the benefits of the researches conducted mainly from the public purse, the benefits of which should be spread as widely as possible for the industrial advancement of the country.

Government have given an assurance that industries started during war will not be allowed to languish in the post-war period. It will be in keeping with that assurance to assist them for consolidating their position by enabling them to take advantage of and benefit by the results of the researches made under State directions. Moreover, if the researches are given to a larger number of applicants, the abuse of non-use by interested parties may also be pre-

vented. The practice of such abuses is not uncommon and not unknown in the industrial world when the results of researches are monopolised and secured by a single party by the high money offers made.

Having regard to the foregoing considerations, it is essential that Government should bring about a change in the existing procedure and introduce a system of licences for the right of utilization on rent well within the financial capacity of the smaller undertakings. The country is feeling today the need of wider industrialization. There is a cry for many varieties of consumer goods, for which the country is dependent on foreign imports. If more industries are started for manufacturing such goods by wider utilization of the results of researches by the grant of licences, the products will be marketed at cheaper prices consequent upon healthy competition between the manufacturers and the same will be reflected in a distinct improvement of the economy of the country. My Committee, in view of the above, beg to urge upon Government to revise the present practice of selling sole patent rights in regard to Industrial Researches.

Letter No. 8-C.S.I.R.(44)|44 dated 10th November 1944 from Scientific and Industrial Research to Chamber.

With reference to your letter No. 870, dated 9-5-44, I have the honour to say that your presumption that exclusive right is given to a single party for the commercial exploitation of every process, developed under the auspices of Council of Scientific and Industrial Research is not correct. The decisions on industrial utilization of various processes are taken in accordance with certain principles as indicated below :—

(i) Every process before being offered for commercial exploitation is examined as regards economic implications, demand and mode of production, and the decision is guided by this examination.

(ii) Depending upon the circumstances of each case the processes are offered for industrial exploitation in any of the following ways :—

(*a*) Free of any charge or against a uniform rate of royalty to all interested parties.

(*b*) On regional basis, the royalty in each case being the same.

(*c*) On monopoly basis.

(iii) In the case of processes of urgent war importance, the mode of exploitation is decided in consultation with the Department concerned and the preliminary examination of such processes is the responsibility of Supply Development Committee in consultation with Council of Scientific and Industrial Research.

2. You will thus realise that the proposals contained in your letter under reference have already had the consideration of the Council. The Council, however, appreciates your keen interest in its activities and welcomes constructive suggestions from commercial interests.

Letter No. 2379 dated 28th November 1944 from Chamber to Board of Scientific and Industrial Research.

I am directed to acknowledge the receipt of your letter of the 10th instant, No. 8-CSIR(44)/44.

My Committee are informed that their presumption that exclusive right is given to a single party for the commercial exploitation of every process, developed under the auspices of the Council of Scientific and Industrial Research is not correct. My Committee, however, were led to that conclusion by the procedure laid down that the Industrial Research Utilization Committee considered and recommended grant of the right of exploitation of particular research to the selected party on terms and conditions decided upon by that Committee on the merit of offers. In their letter of the 9th May 1944, No. 870, my Committee suggested that the present system should be substituted by a system of licences in order to give greater opportunities to a large number of applicants to take advantage of the schemes in question. They are not assured by your reply under reference that the present procedure will be dropped in favour of one, which may open out possibilities for the results of industrial research being utilized on a larger and wider scale.

You have mentioned certain principles in accordance with which the decisions are taken. The first principle is that every process before being offered for commercial exploitation is examined as regards economic implications, etc. Such an examination, however, while it is to be welcomed, gives no guarantee that the results will not be monopolized only by one particular party. The second principle is that the processes are offered for industrial exploitation in any of the following ways :—

(*a*) Free of any charge or against a uniform rate of royalty to all interested parties.

(*b*) On regional basis, the royalty in each case being the same.

(*c*) On monopoly basis.

My Committee welcome the announcement that the processes are offered free of any charge or against a uniform rate of royalty to all interested parties. They would, however, like to know in how many cases each under (*a*) and (*b*) this is done and how many parties have taken advantage of this opportunity extended to them. As regards (*b*), you will kindly further enlighten my Committee as to how many like industries have availed themselves in each region by paying the same royalty. In (*c*) above, there is again a reference to monopoly basis, which will cut away the scope of extending industrial possibilities by limiting the research results to only one party.

My Committee will be obliged also if they will be informed as to how many non-technical notes have been issued for successful researches. They would also like to know how many licences were taken up and how many of them were successfully worked. If it happened that some of them were unworked, will you kindly let my Committee know as to what were the defects or deficiencies which proved the cause of the same and what further attempts have been made to rectify them.

The object of my Committee in addressing with a view to the introduction of a licence system is to extend the advantage and benefits of the research work to all would-be industrialists; and they, therefore, hope that their suggestion in this regard will be accepted.

APPENDIX 55

Sale of Matches other than Wimco in Ahmedabad*

Letter No. 35(3)|540 *dated 9th February* 1944 *from Finance Department to Chamber.*

With reference to your letter No. 3300 dated the 27th December 1943 and subsequent reminder dated the 27th January 1944 I am directed to state that the question has been carefully reconsidered and Government cannot agree to disturb the present arrangements

* For previous correspondence *see* Report 1943 at page 290.

of distributing matches through the Western India Match Co. as they have been working very satisfactorily from the point of view of citizens of Ahmedabad as a whole.

APPENDIX 56

Proposed National Physical Laboratories by the Government of India

Letter No. 1943 *dated* 23rd *September* 1944 *from Chamber to Department of Commerce, Government of India.*

I am directed by my Committee to address you on the above subject. My Committee learn that the Government of India have under consideration the establishment of four National Laboratories on the lines of National Physical Laboratory, Teddington, London, and further that the Government have decided to erect these laboratories at Delhi.

While welcoming the decision of Government to establish such laboratories, my Committee beg to suggest that the location of these laboratories should be in Bombay and not New Delhi. Perhaps the main consideration that influenced Government in selecting New Delhi as the venue for these laboratories, my Committee feel, should be the central location of New Delhi, but they wish to point out that in selecting New Delhi as the location for such a laboratory, any benefit that industry might derive from it will not be easily made available to prominent industrial centres like Bombay and Calcutta. For obvious reasons Calcutta is out of consideration at least for the duration of the war and therefore my Committee strongly feel that Government should select Bombay as the only other suitable place for the establishment of the laboratories. The existence of a first-rate university in Bombay and the prevalence of a scientific and academic outlook are additional advantages which, my Committee feel, will be conducive to the successful working of the laboratories in Bombay.

My Committee, therefore, beg to suggest that in view of the reasons stated above, Government will be pleased to reconsider their decision in regard to the location of National Physical Laboratory, and sympathetically consider the claim of Bombay for being a venue for the same.

Letter No. 167 Plg(1)44 dated 8th November 1944 from Scientific and Industrial Research to Chamber.

Your letter No. 1943, dated the 23rd September 1944, addressed to the Secretary to the Government of India, Department of Commerce, New Delhi, has been forwarded by the Department of Planning and Department to the Council of Scientific and Industrial Research. I write to inform you that your suggestion of locating the National Physical Laboratory at Bombay will be brought to the notice of the Governing Body of the Council of Scientific and Industrial Research who will doubtless give full consideration to your suggestion when the question comes before them for decision.

APPENDIX 57

Importation of Rabbits

Letter No. 1975 dated 28th September 1944 from Chamber to Food Department, Government of India.

The attention of my Committee has been drawn to a report which recently appeared in the Press that Government of India are arranging to import 10,000 rabbits into this country from other parts of the Empire, particularly Australia, to provide food for the Army. My Committee would like to know if the report is correct and if so, whether it is intended to import live rabbits or rabbits in canned or frozen condition.

If, however, it is intended to import live rabbits, my Committee would like to enquire whether the Government have examined the long-term consequences of any such steps on the agricultural economy of the country. It is understood that rabbits breed and multiply in large numbers and very soon. They do considerable harm to agricultural production, and in other countries where they have grown in large numbers, they have really presented a problem. It is, therefore, necessary to be circumspect in taking any steps in the direction of importing the pests into this country. My Committee, therefore, hope that before taking any final decision in the matter, Government would give proper weight to the long-term consequences of any such steps.

They request an early reply giving full information on the position.

Letter No. F. 32-117|44-A dated 9th January 1945 from Food Department to Chamber.

With reference to your letter No. 1975, dated the 28th September 1944, on the above subject, I am directed to say that the scheme of importing wild rabbits from Australia for breeding under controlled conditions for supply of meat envisaged by the Army authorities in India has been abandoned on account of the risks involved in it.

APPENDIX 58

Cancellation of Cloth Licences

Letter No. 1022 dated 25th May 1944 from Chamber to Provincial Textile Controller, Bombay.

The Committee of the Indian Merchants' Chamber have been consistently opposed to any black market operations on the part of traders and merchants in whatever business they may be engaged. They have exerted all their influence, moral and otherwise, in the direction of eliminating black market operations. Their addressing this communication to Government should not be taken to imply that they have any sympathy with black market operators. They are, however, surprised to find that many traders have got their licences cancelled by Government without any reason or reasons being assigned. My Committee understand that all the dealers are agreed that black marketing should be stopped by Government and nobody objects to Government taking drastic steps against dealers who may be actually indulging in such malpractices. At the same time, it is but due to the dealers that, although the cancellation of the licences without assigning any reason may be technically correct, my Committee have, no doubt, that it will be conceded that an opportunity of knowing the charges levelled against them and offering explanation to Government in connection with those charges is given them. My Committee consider that it is not fair that such a serious step like cancelling the licence on which their business and even livelihood depend should be taken by Government against the dealers without their being given an opportunity to explain. Under the circumstances, my Committee hope and request that Government will be pleased to let all these dealers know the charges levelled against them and give them an opportunity for explanation.

Letter No. 79|2572 dated 4th July 1944 from Provincial Textile Controller to Chamber.

I have the honour to acknowledge the receipt of your letter No. 1022 of the 25th May and to thank your Committee for the assurance that it will continue to exercise all its influence in eliminating black markets and profiteering in the cloth trade. As regards the specific point raised by you, regarding the cancellation of licences, I am to invite your attention to clause 8-A of the Bombay Cotton Cloth Dealers' Licensing Order, 1943, and to point out that Government have full power to cancel or suspend a dealer's licence. I am to state, however, that before suspending or cancelling any licence, Government fully considers every case and takes action under the clause only when it is necessary in the public interest to do so.

Letter No. 1965 dated 19th July 1944 from Chamber to Provincial Textile Controller, Bombay.

I am directed to acknowledge receipt of your letter No. 79/2572 of the 4th July on the above subject. The matter was considered by my Committee at their meeting yesterday.

My Committee are aware that under the Bombay Cotton Cloth Dealers' Licensing Order, 1943, Government have the necessary powers to cancel or suspend the dealer's licence. Their purpose in addressing Government, however, was to ascertain the procedure which Government have followed in order to satisfy themselves that those against whom action had been taken had really contravened the provisions of the control scheme or acted in a manner which would justify their being deprived of their licences. As an opportunity to explain their position is not being given to the parties, Government will admit that it is not desirable to allow the commercial public to carry the impression that the powers in this regard have been used arbitrarily and without proper investigation.

My Committee note from the concluding sentence of your letter that before suspending or cancelling any licence, Government fully consider every case and take action under the clause only when it is necessary in the public interest to do so. While they welcome this assurance they would like to be informed in greater detail of the exact procedure followed prior to Government taking the final decision for cancelling or suspending the licences in such cases. In particular, they would like to be assured that none was going to be condemned unheard and would like to know whether any non-official agency or non-official is associated with Government in investigating

into the facts and circumstances connected with any information which Government may receive through official or non-official sources, on the basis of which such action is considered necessary. In short, my Committee would like to know the procedure which Government have laid down and are following to satisfy themselves that there is complete justification for the action against those whose licences have been cancelled.

Letter No. 171|7423|D dated 4th November 1944 from Provincial Textile Controller to Chamber.

I have the honour to acknowledge the receipt of your letter No. 1465 dated the 19th July 1944 and to state as under.

2. It has already been explained to you that, before any licence is cancelled or suspended, Government fully considers every case. Your Committee desires to know—

(*i*) Whether any non-official person or body is associated with Government in the investigation of cases of the type referred to; and

(*ii*) The exact procedure followed by Government before deciding about suspension or cancellation.

On the first point, I am to state that no non-official person or body is associated with Government in investigations regarding the breaches of licensing order or the Cloth and Yarn Control Order. Regarding the second point, the procedure followed is that the licensee concerned is as a rule, that is to say, subject only to the overriding consideration of the public interest, given an opportunity to state his case before orders are passed.

APPENDIX 59

Bombay Cotton Cloth Dealers' Licensing Order

Letter No. 2084 dated 13th October 1944 from Chamber to Finance (Supply) Government of Bombay.

The attention of my Committee has been drawn to the Order of August, 1944, issued by your Department, under the Defence of India Rules, whereunder Bombay Cotton Cloth dealers are required to supply certain information asked for in the form of a questionnaire. While my Committee have no objection to questions being asked which are strictly relevant to their business upto a certain

limit, they feel that some of the questions for which replies are sought, go beyond the scope of their business, and require the merchants to disclose information which, according to general principles of social propriety and commercial decency, they should not be called upon to reply. Many of the questions again pertain to third parties about which the cloth dealers are not expected to have information. Under the circumstances, they suggest that the questionnaire be modified whereby questions asked and information sought for may strictly be relevant to the business of the dealers.

My Committee are afraid that the time limit for answering the questions is too short looking to the complexity of questions and details required. They, therefore, beg to request Government to be pleased to extend the time limit by at least one month more.

Letter No. 518|19756|C-16275 dated 6th November 1944, from Provincial Textile Controller, Bombay, to Chamber.

With reference to your letter No. 2084 dated 13th October 1944 to the Secretary to the Government of Bombay, Finance Department (Supply), Bombay, I am directed to state that this Government in consonance with the policy adopted by the Textile Control Board proposes to reclassify licences issued under the Cotton Cloth Dealers' Licensing Order and also to eliminate superfluous licences. It is, therefore, necessary to obtain information regarding the status and business connections of each licensee and the questionnaire referred to by you has been issued with a view to elicit information which is essential for such reclassification and elimination.

2. With regard to your request that Government should extend the time limit for submitting the required information, I am to state that the dealers were given a fortnight more to send in the replies and out of nearly 12,000 licensed cloth dealers in Bombay City nearly 9,000 have already sent in the information required. Hence it is not considered necessary to extend the period within which the information should be supplied. I am also to point out that whenever any individual dealer requires time to reply on account of his absence from the place of business, such cases are always considered sympathetically on their merits.

APPENDIX 60

Carrying of Cotton Cloth to Kathiawar as Personal Luggage

Letter No. 2365 dated 24th November 1944 from Chamber to Textile Commissioner, Bombay.

I am directed by my Committee to address you on the above subject. They are given to understand that Government have recently imposed a ban on carrying as personal luggage of any cotton cloth by passengers from Bombay to Kathiawar.

Passengers for Kathiawar till now enjoyed a concession in the matter insofar as cotton cloth to the extent of 10 lbs. was allowed to be carried as personal luggage from Bombay to Kathiawar; and my Committee feel that the withdrawal of this concession is causing great hardship to passengers carrying small quantity of cotton cloth for *bona fide* personal use. They are not aware of the grounds which have led Government to withdraw this concession. On the contrary, they feel that it should be continued and facility in the shape of carrying cotton cloth as personal luggage should be made available to passengers. At present, the marriage season has already begun, and my Committee think that persons going to far off places in Cutch and Kathiawar to attend such occasions would naturally like to carry with them some cloth both for their personal use and for their dear and near ones. Moreover, as you are doubtless aware, the recent fire calamity in the City compelled many families in the affected area to go over to their native places leaving all their belongings behind; and my Committee are of opinion that members of such families should be allowed to carry with them small quantities of cloth as personal luggage, specially in view of the fact that export of cotton cloth is strictly prohibited from British India to Kathiawar and Cutch.

My Committee, therefore, request Government to be pleased to take the above factors into consideration and allow the concession of carrying at least 10 lbs. of cotton cloth as personal luggage, without any restriction or requiring any permit for the purpose.

Letter No. C.X. 2(15)212|5410 dated 8th December 1944 from Textile Commissioner to Chamber.

I am directed to acknowledge the receipt of your above letter and to inform you that a scheme for supply of cloth and yarn to the above territories has since been introduced and under this scheme *bona fide* passengers are permitted to carry 10 yards or 3 lbs. of

new cloth as their personal luggage and the Collector of Central Excise, Bombay, has been advised to issue the necessary instructions to the staff at the Frontier Station.

Letter No. 2553 dated 20th December 1944 from Chamber to Textile Commissioner, Bombay.

I am directed by my Committee to acknowledge receipt of your letter No. CX2(15)212/5410, dated the 8th December 1944, on the above subject.

While my Committee appreciate the action of Government in allowing the concession for carrying new cotton cloth to the extent of 10 yards or 8 lbs., they feel that the same is not adequate to meet the *bona fide* requirements of the people going to Kathiawar and that the concession should be so extended as to allow a fair quantity of cloth to be carried for the requirements of persons and their families. My Committee, therefore, beg to suggest that a quantity of cloth upto the extent of 10 lbs. should be allowed to be carried as personal luggage. It is hoped that Government will be pleased to reconsider the matter and grant the concession as suggested above.

Letter No. 15|212 dated 30th December 1944 from Textile Commissioner to Chamber.

I am directed to state that the question of enhancement of the free luggage allowance per passenger has already been considered by this Office but it is regretted that the decision arrived at cannot be altered.

APPENDIX 61

Import Licences for Mill Stores

Letter No. 1019 dated 25th May 1944 from Chamber to Department of Industries and Civil Supplies.

The attention of my Committee has been drawn by the Textile Stores & Machinery Merchants' Association, Bombay, to the difficulties experienced by merchants dealing in textile stores and machinery in the matter of getting licences for the importation of their requirements of mill stores. It would appear that licences for imports are being granted on the basis of the share of imports in the basic period. But in calculating such share, no account is taken of the imports in that period from countries other than the U.K. It is common knowledge that before the war there were several sources of

supply other than U.K. for mill stores and a substantial proportion of the imports came from those countries. While the war developments may have rendered imports from such countries impossible, the importers, however, continue to be in the trade and it is but fair and reasonable that Government should give them facilities, to which they are entitled by virtue of their past position in the trade, in enabling them to get their supplies in the altered circumstances, from U.K. My Committee appreciate that in the existing supply and shipping position licences could be issued only to the extent of the minimum requirements within the country. But they venture to submit that the imports allowed for any shipping period should be distributed among all established importers on the basis of the total share of their imports in the basic period. Imports should be on the basis of the total imports from all countries of each individual importer in the basic period, although some of those countries might be now enemy countries or under enemy occupation. In short, licences should be granted to all established importers without any distinction as to the sources of their imports in normal times.

It is hoped that Government will be pleased to consider the above suggestion favourably.

APPENDIX 62

Paper Control (Economy) Order 1944

Telegram dated 23rd June 1944 from Chamber to Department of Industries and Civil Supplies, Government of India.

" Reference Paper Control Economy Order, 1944, Committee Indian Merchants' Chamber are of opinion that provisions are too drastic and unworkable and would greatly affect and seriously dislocate activities of business houses, industrial concerns, Banking and Insurance firms, Educational institutions, printing works, publication of monthlies, weeklies, etc., incidentally throwing a large number of people out of employment. It will also lay axe at the roots of literary and educational activities and should be thus deemed a disaster in the forward progress of the country. Committee suggest postponement of operation of the order pending negotiations between interests affected and authorities concerned."

Telegram dated 24th June 1944 from Department of Industries and Civil Supplies, to Chamber.

Your telegram June 23rd. Provisions of Economy Order undoubtedly severe but they are workable and should not dislocate any essential activity. Far from adversely affecting educational and other institutions it is expected that Paper Control Orders would enable their requirements to be met more satisfactorily than was hitherto possible. Regret cannot agree postponement operation of the order. Government, however, prepared to consider any concrete alternative suggestions for ensuring that available supplies shall be directed to the most essential needs and shall be evenly distributed.

To enable trade and other interests which are or likely to be affected by the Paper Control Economy Order to put forward their difficulties and suggestions for removing them a conference will be held at Bombay at 10 a.m. at "Sudama House," Ballard Estate on 11th July 1944. To which you may send a representative. Paper Controller will attend. It would assist in expeditious disposal if you forward your proposals and difficulties beforehand to this Department to reach Delhi not later than 6th July.

Letter No. 1313 dated 3rd July 1944 from Chamber to Department of Industries and Civil Supplies.

With reference to your telegram dated 26th June and this office letter No. 2182 dated the 20th June, I am directed to send to you the summary of the principal views, which my Committee hold and which they request the authorities to discuss and give their consideration :

(1) The operation of the Order be postponed for a period of three months in order to enable the interests affected to adjust themselves with the new situation.

(2) The percentage allowed for printing books be raised from 30 to 70 and for educational and other statutory requirements, the percentage be raised from 50 to 85.

(3) The Paper Controller should permit the cumulative use of paper sanctioned for the whole year, if any press or publisher desires to use his quota for the year in a few months; if any work in the press is in progress or in the process of printing, the same should be excluded from the operation of this Order.

(4) The Paper Controller should allow ordinary presses and publishers to acquire newsprint and to use the same in addition to the quota of paper given to them. In this connection, the Committee understood that large stocks of newsprint are lying unused in Bombay and the same should be made available to the printers and publishers in the City.

(5) Government should encourage by all possible means import of newsprint and paper for the use in the country. It is understood that shipment of paper from foreign countries to India is made difficult because of lack of import permits which are not made available to merchants in the country. The authorities, therefore, should investigate all possibilities of supplementing the indigenous production by importing paper from foreign countries.

(6) It would be penalising the printers and publishers in British India if the provisions of the Order were made applicable to British India and not to India as a whole. Efforts, therefore, should be made by the authorities to enforce the provisions of the Order in British India as well as in Indian States.

(7) An efficient machinery ought to be evolved for the distribution of paper to those who are entitled to their quota. The Committee have to regretfully point out that the distribution of paper through the Paper Sales Association has not been a success.

(8) Material for books which is wholly or partly used for the military, must come out of the Government quota.

(9) Stationery and other materials which have been in stock by industrial and commercial houses and public utility concerns should be allowed to be used without any restriction as to the time and period.

(10) The basic year selected in allocating quota of paper should not be necessarily the year 1943. It should be 12 months from the period from which account books of different concerns begin and where a printer or a publisher desires 1939 it should be 1939. Economies voluntarily made since the beginning of the war should not be penalised.

(11) Efforts should be made to encourage hand-made paper by way of arranging facilities for raw materials, transport, financial assistance, etc., etc.

(12) Coal rationing scheme should be revised so as to enable paper mills in the country to get adequate supplies of coal to run the factories without any interruption.

Telegram dated 11th August 1944 from Chamber to Department of Industries and Civil Supplies.

Reference Paper Control Economy Order Committee, Indian Merchants Chamber have received representation from interests representing printing and publishing trade that the reduction of their paper consumption to 30 per cent of their normal offtake seriously interferes with their day to day activities and place difficulties in the way of their normal functioning. It would appear they have approached Government with a request to be allowed an additional quota of newsprint to the extent of atleast 20 per cent. Newsprint supply position from reports available will enable this concession being extended. Committee earnestly request that Government will be pleased to modify their Control Order with a view to permit the use of newsprint with the increase of the quota and also arrange for timely release of such newsprint by holders of stock.

Telegram dated 17th August 1944 from Department of Industries to Chamber.

Your telegram 11th August 1944. Such additional permits for the use of newsprint as supply position justify are being issued. Consumers who receive these permits must get printing work done in some press. Therefore addition to printing work available for presses on the basis of concession for use of newsprint is already taking place. Regret no addition to the quantity admissible to presses under Economy Order can be made on the basis of newsprint. Paper Control Economy Order in so far as it affects presses controls the use of paper other than newsprint.

APPENDIX 63

Exemption of Castor Oil from the Drugs Control Order

Letter No. 1014 dated 25th May 1944 from Chamber to Department of Industries and Civil Supplies.

The Swastik Oil Mills Limited, Bombay, a member company of this Chamber, have forwarded to my Committee copies of correspondence that has passed between them and your department, ending with the Drugs Officer's letter No. 475-C.S.(D)(88)/44,

dated the 8th instant on the question of exemption of castor oil from the Drugs Control Order. My Committee have gone through the same and find that the case presented by the Company to the effect that refined castor oil should not be treated as a medicine or drug for purposes of the above Order has considerable force. It will be appreciated that refined castor oil is normally sold in all kinds of retail stores, provision stores, oilmanstores, etc. The said oil is also used for various purposes other than medicinal. Although refined castor oil has certain medicinal use also, having regard to the above circumstances, it is not quite proper to classify it along with medicines and subject dealings in it to the control envisaged by the Drugs Control Order. Government have further to consider this matter from a practical point of view. The object underlying the Drugs Control Order is to ensure that consumers get supplies of the oil without being put to serious difficulties and at fair and reasonable prices. If refined castor is treated as a medicine, then it will naturally follow that only a few licensed druggists and chemists will be able to hold stocks of the same and sell it to the public. The result will be that the facilities the consumers are enjoying at present of getting a free supply of the oil from all kinds of stores will be considerably curtailed. It is conceivable that ordinary retail stores and other provision merchants will not be prepared to incur the heavy expenditure for taking out licences and will, if it is ultimately decided to treat refined castor oil as a medicine, prefer to cease their dealings in it.

In view of the foregoing considerations, my Committee request that Government will be pleased to reconsider the matter and issue orders exempting refined castor oil from the operation of the Drugs Control Order.

Letter No. 475-C.S.(D) (38)|44 dated 2nd June 1944 from Department of Industries to Chamber.

With reference to your letter No. 1014 dated May the 25th on the above subject, I am directed to invite your attention to Clause 19 of the Drugs Control Order, 1943, which reads as follows:

> "Nothing in this Order shall apply in relation to any chemicals or other articles which are intended to be used solely for purposes other than the treatment, mitigation or prevention of disease in human beings or animals, or to persons solely dealing in such chemicals and articles."

2. It is not therefore correct to say that owners of retail stores, provision stores, oilman stores, etc., who sell castor oil for non-pharmaceutical purposes are obliged to take out licences under the Drugs Control Order. If, however, it is considered by the Government of India only fair that the person who sells it for this purpose should be required to take out a licence in the same way as licences are required for the sale of other drugs and medicines.

Letter No. 1195 dated 16th June 1944 from Chamber to Department of Industries and Civil Supplies.

I am directed to acknowledge the receipt of your letter No. 475-C.S.(D)(38)/44 of the 2nd instant.

The matter has been further considered by my Committee in the light of the explanation contained in your letter under reply. The position, in the opinion of my Committee, is unfortunately still not free from uncertainty. It is true that Clause 19 has exempted articles to be used only for purposes other than medical from the obligations under the Control Order; but, it will be appreciated that it is very difficult to distinguish, as far as the ordinary public are concerned, between uses for pharmaceutical purposes and uses for purposes other than pharmaceutical. My Committee are informed that the position at present is that all the retail stores, provision stores, oilman stores, etc., which were normally selling refined deodarised castor oil, are reluctant to take any risk and have now ceased stocking supplies of such oil and are not selling the same to the ordinary public. The result is that instead of furthering the object of the Drugs Control Order, viz. facilitating free flow of supplies to the consumers, refined castor oil is not freely available as in the past. In order, therefore, to clear the position beyond chances of any doubt, my Committee again request that Government should specifically exclude refined and deodarised castor oil from the scope of the Drugs Control Order, thereby freeing transactions in the same from the requirements in regard to a licence under the Drugs Control Order. If this is not done, the public, more than the commercial community, is likely to be inconvenienced, as castor oil is an article which is practically kept in every home being regularly used for laxative purposes.

Letter No. 475D.M.(38)|44 dated 13th August 1944 from Department of Industries to Chamber.

In continuation of this Department's letter of even number dated 18th July 1944, I am directed to say that the Government of

India in consultation with the Sub-Committee of the Drugs Control Advisory Committee have decided to delete Castor Oil from Part (iii) of the Schedule to the Drugs Control Order. A notification will be issued in this connection shortly.

APPENDIX 64

Cash Memo prescribed under the Hoarding and Profiteering Prevention Ordinance

Letter No. 740 dated 20th April 1944 from Chamber to Controller General of Civil Supplies.

The attention of my Committee has been drawn to Notification No. 1/2(18)/44-CG(CS) dated 28th March issued by you, containing the forms of cash memo prescribed by Government under the Hoarding and Profiteering Prevention Ordinance.

My Committee have received a number of complaints pointing out that the form of the memo and the particulars required to be given therein will cause serious inconvenience and hardship to the trade interests concerned. In the wholesaler's form, description of goods including dimensions, particulars regarding landed cost, etc., are required to be furnished. In the retailers' memo similarly details such as the item numbers in the Government schedule, dimensions, etc., are required to be given. All these will involve a considerable amount of additional clerical labour and it will not be practicable for many mercantile houses to conform to the same without considerably adding to their expenditure on establishments, etc. There is further the question of paper shortage and, when Government are emphasising economy in the use of paper, it is very inappropriate that such elaborate forms should be prescribed for the routine requirement of a cash memorandum. The provision that existing stocks of such memos could be used, provided all the details prescribed in the forms are given, has no significance when it is realised that the ordinary size of the memorandum generally in use will not permit of any such additions. It is also pertinent to mention that the Hoarding and Profiteering Prevention Ordinance restricts the profit margin available to trade interests. It is extremely unfair to impose any requirement on the trade involving additional expenditure and consequently resulting in a further decrease in the net margin of profit.

Apart from these practical difficulties, my Committee are strongly opposed, in principle, to any provision which compels the trader to disclose to his prospective purchaser his landed cost and particulars connected therewith. These are in the nature of business secrets and for various reasons, the merchant concerned would not like all that information to be made public. Sometimes, it may be very difficult to ascertain the landed cost of individual items and for purposes of accounting, an average will have to be taken into account. Government have not considered all these practical difficulties while framing the form of cash memo, as prescribed in the Notification in question.

It is also not clear whether Form " B " viz. the wholesalers memo, applies to transactions in goods manufactured in the country. It will be appreciated that for such goods there cannot be any figure of " *landed cost* ".

My Committee request that you will be pleased to take into consideration all these factors and so revise your orders as to permit cash memos being given in the form usually in vogue in the trades concerned.

Letter No. Ord-70 dated 8th May 1944 from Controller General of Civil Supplies to Chamber.

The objections urged by the Chamber are being given careful consideration and the two forms of cash memorandum are being revised. It is expected that the revised forms, which will have removed most of the difficulties pointed out by the Chamber, will be notified shortly.

APPENDIX 65

Draft Drug Rules, 1944

Letter dated 26th July 1944 from Chamber to Department of Education, Health and Lands, Government of India.

I am directed by my Committee to refer to the Draft Drugs Rules, 1944, published in a notification from your Department dated the 14th April 1944, and to submit for consideration their views on the proposals contained therein.

At the outset they would like to invite the attention of Government to certain defects in the Drugs Act, 1940, which are likely to make the operation of the Act difficult. While my Committee are

in entire accord with the principle of the legislation regulating the import, manufacture and sale of drugs in the country as also the standard of quality of drugs, they feel that the manner in which such control is sought to be operated under the Act will create difficulties and not fully achieve the purpose in view. Any legislation framed without the co-operation of the immediate interests concerned, would result in certain anomalies which would require to be amended.

Under Clause 3(b) of the Drugs Act, the definition of " Drugs " is found to be erroneous. As basic chemicals are not included in the definition, import of the same will be made difficult under the Act as all basic chemicals are drugs and as such, the issue of licences for their importation would be made difficult. My Committee suggest in this connection that no condition of licence for importing basic chemicals should be imposed on the manufacturers in India.

Clause 3(d). Conditions prescribed for a drug to be classed as " patent or preparatory medicine " are misleading as many medicines not included in British Pharmacopeia, but used all over the world by the members of the medical profession would be classed as patent medicines. They, therefore, suggest that such patent medicines be defined to include drugs single or compounded from or outside the Pharmacopeia which are marketted under trade or proprietary names.

Chapter II Clause 5(2). Technical Advisory Board.

The Board as constituted under the Act will consist of 11 medical men and 6 chemists. Such a composition having a minority of chemists is open to serious objection in view of the fact that principally the Board will have to deal with chemical analyses for which the chemists are more qualified than the medical men. Besides, a qualified body like the Indian Chemical Manufacturers' Association should have their representation on the Board. It is urged that Government will give serious consideration to this suggestion of the Committee.

Closely connected is the proposed establishment of the Central Drugs Laboratory which will be charged with the work of analysing the complex substances which today are being used under patent and proprietary names. It is feared that the staff in charge of the Government Laboratory may not be as qualified and as competent as that of the manufacturers who employ highly qualified chemists, pharmacologists and scientists. In such an eventuality, it will not

be fair to the trade, that the ordinary and untrained personnel manning the Central Drugs Laboratory should be allowed to judge the trade products prepared by the highly qualified chemists. It is, therefore, suggested that in Part III, clause (14) of the Draft Rules, provision should be made that in case the Director, Central Drugs Laboratory is not in a position to analyse and verify the formula declared, the drug should not be declared as misbranded.

Chapter IV Drugs Act, Clause 17(*a*). *Misbranding.*

Under this clause, the words " imitation or substitute for " are capable of vague and wide interpretation and consequently would leave to the discretion of the authorities the misbranding of any Indian drug which may work as a good substitute for a foreign drug. This will dissuade Indian manufacturers from manufacturing substitutes for foreign drugs.

Clause 17(*d*). Under this clause polishing or coating of all tablets can be construed as an attempt to make a product " appear of greater or better therapeutic value than it really is ", resulting in the product being misbranded by the authorities.

Clause 17(*g*) . This clause is likely to stop manufacturers from making special products for other Companies who sell them under their own trade name.

Clause 18. Prohibition of manufacture and sale of certain drugs. Notifications issued by Provincial Governments in this regard should be simultaneous in all provinces.

Clause 18(*a*) (*i*). No standard quality can be laid down, except the composition declared by the manufacturer for compounded medicines generally.

Clause 18(*a*) (*iii*). The condition laid down is difficult to observe as the chemists are more qualified than medical men, to have knowledge of ingredients declared in a formula.

Clause 18(*c*). The requirement of a licence for manufacture, sale, etc. it is feared will create difficulties as in the first instance, the authorities issuing licences have no knowledge of trade and are likely to act capriciously under powers granted by the clause. Harassment of the manufacturers, wholesalers, retailers, etc. by the licensing authorities is bound to follow in the wake of such provisions. Present licensing system under Drugs Control Order, 1948, is not a pleasant experience for the trade concerned.

Clause 21. Under the clause, Inspectors are employed not only to inspect drugs but also the plant and process of manufacture. It is grossly unjust that powers such as these should be exercised by petty officers who are bound to abuse them to the great detriment of the trade concerned.

Clause 22(*c*). Under this clause, an inspector can stop the sale of any drug for 10 days on the mere plea that he believes or has reason to believe the drug is not of standard quality. This provision will lead to many hardships to the trade. Protection against drugs which are suspected as not of standard quality should be secured in a way which will not harass honest traders and manufacturers.

Clause 23 (5-*b*) *and* (*c*). These will lead to corruption.

Draft Drugs Rules, 1944

Part III Rule 9 application for registration of patent or proprietary medicine.

This rule requires test or analyses by the Director of every medicine before registration is granted. The rule is in direct contradiction of clause 18 (*a*) (*iii*) (Explanation) of the fact under which disclosure on the label of all patent or poisonous substances is sufficient for grant of registration. Besides, the draft rules do not make it clear whether Rule 9 is applicable only to the new drugs to be put on the market or whether the drugs already in the market have to undergo fresh analysis and test. If it applies in the latter case, it will be humanly not possible to make the rule effective. It is the considered opinion of my Committee that Draft Rules as framed should be deleted. Such is not the practice followed even in advanced countries like America, England or Germany where there is no requirement with regard to the sale of patent or proprietary medicines except that the formula of the medicine is declared on the label or the box containing the medicine. Every medicine is deemed to be genuine unless it is brought into question by the inspecting authorities. Besides, previous analyses and test of a medicine before registration is unnecessary, as the drug may be adulterated after registration.

Registration Fee

The fee for registration fixed at Rs. 50 for every single drug is considered exhorbitant. Such registration should be done by the

Registration and Patent Office and not by a medical council as is the practice in other parts of the world.

Part III, Rule 15 (1)

An application could not be rejected at the discretion of the Director.

Rule 15(2)

It would be positively unfair to charge a fee of Rs. 50 for a fresh application made in connection with a rejected application.

Rule 16

Issue of Certification. Under this rule the Director is empowered to issue a certificate if it *appears* to him that the formula indicated on the label correctly represents the contents. The word "appears" used in this rule is highly discretionary and is likely to put at the mercy of the Director, the applicants for registration. Further, certificates once granted should not be subject to renewal every two years. They may, however, be renewed every five years without any charge.

Part IV, Draft Rules,—Control on import of Drugs

Rule 21(*a*). Import licence is defined as a licence to import drugs mentioned in form 8 which refers only to biological and other special products specified in schedules "C" and "C"(1).

Rule 25. Conditions laid down for issue of import licences are drastic in the sense that it will not be possible for Indian importers to secure such licences as in the first instance, the rule requires that the applicants should be agents of foreign manufacturers. Other requirement is that they should be in a position to produce a guarantee from the manufacturers that the goods exported would be of standard quality. This will restrict the import of drugs to a few European firms. The conditions are still more drastic for manufacturers concerned, who should be exempted from this requirement as they import basic chemicals not for resale but for use in the manufacture of their products which ultimately do not escape Government scrutiny.

The rule requires to be deleted as the same relates to substances not intended for medical use.

My Committee have drawn the attention of Government to various lacunae in the Act itself which require reconsideration in the

interest of the trade concerned. It is also hoped that their objections with regard to the Draft Rules will be given serious consideration by Government as the interests concerned are vitally affected by the proposals contained in the Draft Drug Rules.

APPENDIX 66

Import of Empty Collapsible Tubes from U. K.

Letter No. 2368 dated 24th November 1944 from Chamber to Department of Industries and Civil Supplies, Government of India.

I am directed to refer to the correspondence that has passed between my Committee and your Department ending with this office letter dated 25th July 1944, No. 1489, on the above subject, wherein it was pointed out that Messrs. Tambawala Metal Mfg. Co., were not in a position to supply the required sizes of empty collapsible tubes used by Messrs. Maganbhai Amin & Co., and a request was made to your Department that the company be given permission to import their requirements. The main difficulty which faces the manufacturers of tooth-paste here is that even if the required sizes of collapsible tubes are available the prices charged here are far in excess of U. K. prices. The result is that it would be impossible for Indian manufacturers to compete with the foreign makes. The company, however, has made every effort to secure their required sizes from indigenous sources especially from those two concerns whom you have suggested to them, but without any result. It is nearly a year that they are being driven from pillar to post to secure an import licence for their requirements of collapsible tubes and my Committee earnestly hope that Government will be pleased to reconsider their case and grant the necessary permit.

APPENDIX 67

Coal required by Railways in Kathiawar—Distribution by the Deputy Coal Commissioner

Telegram dated 25th October 1944 from Chamber to Coal Control Board, Delhi.

Committee Indian Merchants' Chamber understand that Government have under consideration a proposal for arranging supplies of coal required by railways in Kathiawar directly through the Deputy Coal Commissioner in charge of distribution. This work was for the

last twenty years being done very efficiently and systematically by the coal trade and if now direct arrangements are made the same would result in displacing established trade channels. Government have all along assured the commercial community that it is their intention to utilise the existing trade machinery in their scheme of distribution and any proposal involving direct arrangements of the kind referred to will not be in keeping with that assurance. Committee therefore strongly urge that the proposal under contemplation should be abandoned and that the distribution arrangements to the Kathiawar Railways should continue through the normal trade channels.

APPENDIX 68

Coal Rationing Scheme

Telegram dated 16th February 1944 from Chamber to War Transport Department, Government of India.

Committee Indian Merchants' Chamber have noted your statement regarding Coal Rationing Scheme as appeared issue *Times of India* 10th February. Committee surprised to learn that Government should have agreed exporting of one hundred thousand tons of coal per month particularly when raisings in India were very poor and certain essential industries were starved for want of coal. In recent times Committee have had occasion to lodge their emphatic protest against the cancellation of important and essential train services. The reply given was that Government were forced to this on account of the coal position. Committee therefore strongly urge that until all essential needs of India are fully satisfied there should be complete stoppage of export of coal outside India. Committee further surprised and grieved that while ships on Indian Register have been placed by Government at complete disposal of His Majesty's Government during war Government should have agreed to unjustifiable stipulation of His Majesty's Government for providing necessary tonnage for carriage of coal namely that such supply should be dependent on Government agreeing to step up exports required for Middle East. Committee cannot see how such arrangement could be to India's advantage. 'If tonnage was required for exporting coal by sea from Calcutta, Bombay and Madras and if His Majesty's Government refuse supply necessary tonnage even when almost all ships Indian Register were placed at their disposal Government

could have withdrawn ships on Indian Register given to them for meeting India's essential needs and obligations. Committee therefore strongly urge that no such undesirable stipulations and conditions should be allowed to be coupled with supply of tonnage by His Majesty's Government particularly when India's shipping has been almost fully utilised for furthering war efforts. Committee will be obliged if you will kindly let them know what steps you have taken or propose to take this connection.

APPENDIX 69

Difficulties connected with the Supplies of Coal

Letter No. 1579 dated 5th August 1944 from Chamber to Supply Department, Government of India.

I am directed by my Committee to address you on the question of the coal shortage, the solution of which is today exercising the ingenuity of the Government of India who have for long ignored a developing crisis in the coal industry. It is hardly possible that Government and the interests concerned should be unaware of the sad plight of the coal industry even when the war started nearly four years ago. It is one of the serious lapses of Administration that an important power resource responsible for feeding the Indian industry and consequently the war effort should not have engaged the attention of Government, till in the third year of the war a serious coal famine was an established fact. The result of this sad neglect has made itself felt in the mal-distribution of coal to many branches of industry which are being fed from hand to mouth. Industrial plants, which have hitherto rendered valuable service, have in some instances to lie idle for weeks for want of coal. Generally speaking a large potential production is being sterilised through coal shortage, which is bound to have grave repercussions on the economy of the country.

My Committee feel that one of the contributory causes which has led to this crisis is the neglected condition of coal plants and machinery which could not afford periodical replacements and renewal as a result of low prices of the raisings. The condition of the machinery working in the coal fields has deteriorated to such an extent that if replacement is not made possible within a year or two, many of the pits will have to close work. Besides the labourers, working in the coal areas, slowly began to migrate after the war began to

more remunerative work. The scarcity of food and its unsatisfactory distribution among the coal labour also helped to drive away the labourers in large numbers. Consequent upon such chaotic conditions prevailing in the coal industry and the decline of coal production, the Member for War Transport called a Conference in Calcutta and invited the interests concerned to participate in finding out a solution to relieve the crisis. The Conference has formulated a few urgent points upon which the authorities concerned should concentrate with a view to improve the coal raisings, as also the coal distribution in the country. My Committee are given to understand that the effort made by the Member for War Transport has not yet materialised into active steps which would relieve the situation. They are anxious to know how far the points formulated at the said Conference have been implemented. In this connection, the Federation of Indian Chambers of Commerce and Industry have submitted a comprehensive memorandum to your Department and my Committee are in complete accord with the appeal made therein to Government to take up immediately the question of coal shortage and devise ways and means by which the grave deterioration in the condition of coal industry, as also in the distribution machinery, could be avoided. My Committee are also of the opinion that the present system of distribution is very unsatisfactory and leads to more complication and as such it needs complete overhauling. My Committee regretfully draw the attention of the Government of India to the fact that exports of coal are still being continued, when the Industry at home is being penalised for want of sufficient coal. They appeal to Government of India that exports may be allowed only after the needs and requirements of the industries in India have been met entirely. It is hoped that the authorities concerned will apply themselves seriously to the task of rehabilitation of the coal industry and the distribution machinery and thus make a major crisis impossible.

Letter No. 69 dated 11th January 1944 from Chamber to Controller of Coal Distribution, Calcutta.

The attention of my Committee has been drawn to the precarious position under which the owners of Ginning and Pressing Factories have to work on account of the insufficient stocks of coal supplied to them. My Committee understand, in this connection, that the Indian Central Cotton Committee generally recommend the Controller of Coal Distribution to allot stocks of coal, which ordinarily are half

of their requirements. The situation on account of the shortage of coal gets further accentuated because of the reduced quota which the Controller of Coal Distribution gives even on the basis of the recommendations of the Indian Central Cotton Committee to the parties mentioned above.

As regards the priority certificates which are required by these factories, my Committee understand that factory-owners are not allowed to utilise the certificates granted for the particular month to be used for the next month, as a result of which they have to suffer great hardships; it may be pointed out, in this connection, that priority certificates for quota are granted generally in the third week of the month and factory-owners are not in a position to utilise the priority certificates for the month for which they are granted. My Committee, therefore, suggest, in view of the difficulties experienced by the Ginning and Pressing Factories, that the proprietors of these concerns should be allowed to utilise the priority certificates for the next month to draw coal and that they should be also allowed to obtain their supplies necessary for their consumption from other collieries not requisitioned by the Government of India.

In conclusion, my Committee request that your Department will consider the whole position of the depletion of coal stocks in Ginning factories and consider the suggestions mentioned above sympathetically.

Letter No. GIN|GEN|44 dated 24th January 1944 from Controller of Coal Distribution to Chamber.

With reference to your above quoted letter, I have to inform you that it has been decided to make good wagons short supplied to Ginning and Pressing Factories. It has also been decided to make available additional quantities of coal to Ginning and Pressing Factories in consultation with the Textile Commissioner, Bombay.

Letter No. 643 dated 8th April 1944 from Chamber to the Controller of Coal Distribution, Calcutta.

I am directed to refer to this office letter dated 11th January 1944 and your reply thereto letter No. Gin/Gen/44 dated 24th January on the above subject and beg to state that the position regarding the supply of coal is getting acute every day and if the usual quota is not provided to Ginning and Pressing Factories at this stage, my Committee feel that they may have to close down. You had given an assurance to my Committee in your letter under

reference that Government had decided to make good wagon short-supply to Ginning and Pressing Factories and further that it was also decided to make supplies to Ginning and Pressing Factories in consultation with the Textile Commissioner, Bombay. My Committee would like to bring to your notice concrete cases where the Factories have not been getting their usual quota of coal as recommended by your department; I am enclosing herewith a statement, in this connection, giving details of the position of the supply* of coal with the Ginning and Pressing Factories, as also details regarding the quota recommended and received by them. There are certain other factories which have been refused priority certificates for coal, and my Committee feel that in the absence of an alternative fuel, the consumers would be greatly affected as a result thereof.

My Committee, therefore, will feel obliged if you will look into the cases and arrange the despatch of coal to these factories at the earliest possible opportunity in order that they may continue their work without any interruption.

Letter dated 29th February 1944 from Chamber to Controller of Coal Distribution, Calcutta.

I am directed by the Committee of this Chamber to refer to the difficulties experienced by Messrs. Alembic Chemical Works Co., Ltd., on account of the stoppage of coal supplies to them since the middle of December 1943. My Committee have, in this connection, seen letters addressed to the Secretary, Department of Civil Supplies, Government of India, as also to you addressed by the Indian Chemical Manufacturers' Association, Calcutta, and would like to strongly support the case advanced by the Chemical Manufacturers' Association.

Messrs. Alembic Chemical Works are manufacturing chemicals and pharmaceutical substances since the last 85 years and have been supplying their products to Charitable Institutions and to several stockists throughout India; they have been recently supplying the requirements of the Government of India and also supplied their products to Bengal during the recent famine crisis. It is, therefore, essential that the Chemical & Phamaceutical Industry managed by Messrs. Alembic Chemical Works must continue uninterruptedly. The Committee of this Chamber strongly feel that in the interests of public health and the war effort, it is vitally important that the

* Not published.

industry referred to above be adequately provided with sufficient supplies of coal for its efficient and smooth running. They, therefore, request that their quota of 25 wagons, which was allotted to them be maintained and that supplies of coal be provided to them at the earliest possible opportunity.

The Committee would also like to draw the attention to the requirements of the above concern for a Glass Factory which they have recently started in consultation with an officer of the Supply Department. The Glass Factory requires supplies of coal to the tune of 14 wagons every month. It may be mentioned in this connection, that on account of the shortage of bottles which the concern requires, they had necessarily to start a Glass Factory and if the supplies of coal are not provided, they may have to close down the Glass Factory.

The Committee, therefore, in conclusion would like to request you to kindly look into the matter immediately and to arrange for a priority sanction in respect of the supply of 25 wagons of coal every month required by their distillery, pharmacy and chemical departments as also 14 wagons of coal every month for the Glass Factory of the Concern referred to above.

Letter No. 2297|2297C dated 14th November 1944 from Chamber to Supply Department.

The Committee of this Chamber have more than once represented to Government in connection with the raisings and distribution of coal both for purposes of civil and industrial requirements. The Committee, however, regret that there has not been any substantial improvement, on both these questions and the industries have been put to a great loss and inconvenience because of the depleted stocks and the faulty system of the distribution of coal.

Ever since the distribution of coal has been undertaken by the Deputy Coal Commissioner (Distribution), there has been a lot of confusion as regards supply of coal to industries, as would be seen from the two statements enclosed with this letter to illustrate the matter and the industries referred to do not know from where and when they will receive coal during November. My Committee have in this connection represented several times to the authorities and they would like to re-emphasise the fact once again that coal distribution must be left to the trade concerned which has been working in the line for the last so many years.

With a view to regulate supply of coal, Government instituted the Coal Control Board, but the Committee of the Chamber understand that the question of raisings and distribution of coal has never been on the agenda of the Coal Control Board's meetings. The Committee are informed that the members of the Board are told that these subjects are outside their jurisdiction and purview. The Committee, are however, constrained to observe that these important questions must, in the fitness of things, be referred to the Coal Control Board for their consideration and decision. My Committee understand that the whole aspect of the coal question was discussed with the Hon'ble the Supply Member when he was in Bombay last by Mr. Madhavlal M. Bhatt, a prominent Coal Merchant and a member of this Chamber. They further understand that the Supply Member had suggested to Mr. Bhatt that it would considerably simplify matters if he would make it convenient to be present there at the next meeting of the Coal Control Board, when he would be able to enquire into such questions or such questions be asked through a member of the Board. The Committee feel that it is very essential that the Western India Zone which has many industries and which is in comparison industrially very well advanced should have a representative on the Coal Control Board and with that end in view suggest that representation should be granted to this Chamber to send their nominee to serve on the Coal Control Board and if representation is not possible immediately, a representative be invited at the Board meeting when he could put the matter more clearly.

In conclusion, the Committee hope that the authorities will realise the seriousness of the situation and would take all possible steps to supply coal for both civil and industrial purposes and that they would also give due consideration to the Committee's suggestion, viz. the right to send their nominee to serve on the Coal Control Board.

Letter No. 6 C.D.(136)|44 *dated* 16*th December* 1944 *from Supply Department to Chamber.*

I am directed to refer to your letter No. 2297, dated 14th November 1944, on the above subject, and to say that Government recognize that the existing system of distribution under the Coal Control has caused some inevitable inconvenience to certain consumers but the policy of Government has been to disturb the existing trade channels of supply as little as possible consistent with the overriding consideration of the supply of high quality of coal to meet

essential requirements of transport, etc. The continuing shortage of high quality of coal makes diversion from industrial requirements unavoidable from time to time.

2. Government have never raised any objection to discussion of method of distribution of coal at the meetings of the Coal Control Board. They have, however, for security reasons, not disclosed at these meetings the figures of allocations and despatches to individual consumers.

3. The interests of the private consumers are already adequately represented on the Coal Control Board by the nominees of the Associated Chambers of Commerce and the Federation of Indian Chambers of Commerce and Industry. Government do not, therefore, consider it necessary to enlarge the Board by allowing representation to the Indian Merchants' Chamber, Bombay. They have, however, no objection to a representative of your Chamber attending the next meeting of the Board, which will be held sometime in January 1945. The exact date will be communicated to you direct by the Secretary of the Board, 1, Council House Street, Calcutta, to whom you should send a memorandum in advance indicating the points which are desired to be raised at the meeting.

Memorandum on points for discussion at the meeting of the Coal Control Board.

1. *Official Machinery*: The Indian commercial community had all along emphasised the importance of having responsible Indians in charge of affairs in matters relating to the Coal Control and Distribution. Notwithstanding this, Government enlisted the services of Mr. B. G. Young as Coal Commissioner. He was brought under a contract basis. Although considered as an expert, it would appear that, he had not been able to make any improvement in the situation here. In fact, there is a feeling that his stewardship has resulted in making matters more difficult. It is, therefore, of paramount importance that the administrative personnel for the work in connection with the problem of coal supply should be completely manned by Indians, and if any experts are necessary Government should seek for such personnel from people who have been in the line in this country and have thus a practical knowledge of the state of affairs and requirements.

2. *Coal Control Board*: When the Board was formed people were made to believe that its decisions would be based and would reflect the views of all interests concerned. It was also urged that

representation should be given on the Board to all elements constituting the industry and trade, as also the consumers. By such representation, it would have been possible to evolve a satisfactory working arrangement which would meet the requirements of all interests. Unfortunately, the expectations held of the Board have not been realised. Particularly, the coal trade which has for years been connected with the handling and distribution is not effectively represented on the Board, with the result that problems relating to that aspect are not receiving sufficient consideration. The Coal trade has more or less come to be neglected as an orphan.

The main problems with which the Coal Control Board and Government are concerned may be divided into two aspects: viz. firstly, increasing production, and, secondly, enforcing equitable distribution.

In the field of production, although there might have been some slight improvement, much has still to be done. Here it is a case of Government taking the mine-owners fully into confidence, meeting their requirements in full, giving them all the necessary relief in taxation, arranging for the supply of necessary machinery, tools, equipment and parts and last but not least the recruitment of a sufficient number of Labour by providing the necessary facilities and inducements for the same.

In the field of distribution, things are getting from bad to worse. At present the distribution is entirely looked after by the Deputy Coal Commissioner, Distribution. It may be that the Commissioner is anxious to keep up the essential services, but it is necessary, at the same time, to remember that in the conditions prevailing in the country today when the general mass of the population is suffering from acute scarcity, the maintenance of production by industries supplying civil needs is of an equally essential character. Government should not ignore the claims of such industries for sufficient and timely supply of coal. One can visualise the consequences of allowing the Textile Mills to remain idle even for some time in the face of the existing shortage of cloth. Many textile mills are reported to have been obliged to stop work on account of shortage of coal. Similarly glass factories have ceased working and Government are reported to be considering importation of glass containers. While therefore Government can give all reasonable priorities for essential war requirements, the needs of industries supplying the civilian wants

should not be rated any the less in Government's distribution arrangements.

Moreover, it would appear that at present all better grade coal is more or less confined to war and essential requirements. Such an exclusive policy is not in the best interests of keeping industrial production on an even level. Other industries should also be given some share of better grade coal.

3. *Activities of the Control Board*: Meetings of the Board should be more frequent and regular. They should be in active touch with the state of production from period to period, and they should also have full information about the existing basis of distribution. Even if names of potential consumers are not disclosed, at least the extent to which supplies have been given to civil and other industries with particulars regarding the areas, etc., could well be furnished to the Board without in any way impairing security considerations. Such information is quite essential not only to enable the Board to take decisions in regard to the increase in the raisings of coal, but it is also imperative for enabling them to formulate a policy of equitable distribution between the civil and the military needs.

4. *Restoration of Public Confidence*: Psychologically there is a great deal of public dissatisfaction about the existing position in regard to the coal supply and distribution. In fact, fears are entertained that things might deteriorate. This feeling should be removed and a psychological change should be effected. Towards that end, Government should issue a re-assuring statement, giving details of the steps they have taken or propose to take and also give figures of production and give some indication about the arrangements made for distribution, explaining as to how the needs of the civilian types of consumers are being met. Such a move is very essential in order to re-assure the public.

5. *Loco Requirements*: At present considerable priority is given to requirements of the Loco, and the Deputy Coal Commissioner, Distribution, directly gives instructions to the collieries to supply such requirements. This results in industries not getting their supplies from the normal sources. The distribution arrangements should, therefore, ensure that industries also get a fair share of their requirements from sources which were normally supplying them.

6. *Trade Channels*: The commercial community is of the definite opinion that the success of any measures which Government

might adopt in regularising the coal position would be, to a large extent, dependent on the active association of the normal trade channels in the distribution side. Government have all along emphasised that they are anxious to retain the services of trade channels and that it is their accepted policy to utilise the existing machinery of the trade. Unfortunately, the steps that are being taken by Government in regard to coal is gradually eliminating the middlemen, viz. the coal merchants. The Deputy Coal Commissioner, Distribution, is taking a direct hand in the work of distribution without even informing the middlemen concerned. The industries and the trade should be kept fully informed of the distribution arrangements and as a matter of general practice the distribution should be undertaken through normal trade channels of the past.

APPENDIX 70

Sites for Factories for the Manufacture of Rayon

Letter No. 2010 dated 2nd October 1944 from Chamber to Board of Scientific and Industrial Research, New Delhi.

My Committee are given to understand that recently the Board of Scientific and Industrial Research had deputed an expert to conduct a survey regarding selection of sites suitable for the establishment of factories for the manufacture of Rayon. They are further informed that the expert in question has submitted his report to Government recommending that Travancore, Asansol and Surat to some extent could be deemed suitable for the purpose in question. It would further appear that, although the possibilities of starting such factories at Thana and Ambernath are mentioned, no investigations about sites in those places have been actually made. My Committee would like to know if the above information is correct, and if so, whether the Board have come to any final decision regarding the sites and location of factories for the manufacture of artificial silk. They would, at the same time, like to emphasise that the province of Bombay is very much interested in the development of this industry and, as a matter of fact, at one stage, the question of setting up factories in this presidency was being actively considered both by the Government of Bombay and the Indian Central Cotton Committee, and if, as they are given to understand, the expert in question has not examined the possibilities of locating such factories in the presidency particularly in Thana, Ambernath and Surat, necessary investigations in that direction may be taken in hand and com-

pleted. My Committee request that a copy of the report of the expert in question may please be sent to them for their information; if, however, the report is not in a stage for publication, they may, at any rate, be informed as to whether any decision has actually been taken in regard to the location of Rayon factories. An early reply will oblige.

Letter No. 2004 dated 2nd October 1944 from Chamber to the Finance Department, Government of Bombay.

I am directed by my Committee to send to you herewith, for your information, a copy of a letter* which they have addressed to the Secretary, Board of Scientific and Industrial Research, New Delhi, asking for information about the reported decision regarding location of factories for the manufacture of Rayon. In this connection, it may be recalled that in the Budget Estimates for 1938-39, the Government of Bombay had made provision for an expenditure of Rs. 71,000 for experiments in the manufacture of artificial silk, etc. The Report of the Director of Industries of the Province of Bombay for the same year also contained the following observations :—

> " Government having decided to refer the question of purchase of a pilot plant for the manufacture of artificial silk on an experimental scale in the Province to the Industrial Advisory Board, the matter was placed before the Board and an interim report received from the late Industrial Chemist of the Department whom Government had authorised to collect information on the subject during his visit to Europe were also placed before the Board and the Board's recommendations in the matter were forwarded to Government."

No further information has been available so far regarding the progress of this experiment and the setting up of a factory for the manufacture of artificial silk in the province.

My Committee would like to have full information about further developments in this direction. They would, in particular, like to know how the Budget grant in question has been utilised and as to whether Government have taken further steps for implementing the scheme underlying the proposal which was placed before the Legislature in 1938-39.

If, however, no progress has been made in the matter, my Committee wish to urge that Government should now, having regard to the fact that the question of location of factories for the manufacture of Rayon is being actively considered by the Government

* See Page 322.

of India, pursue the point further and take necessary steps for the establishment of a factory for the manufacture of artificial silk in the Province of Bombay.

Planning and development of new industries particularly immediately after the war are now under active consideration and Provincial Governments are expected to prepare schemes for the expansion of existing industries and starting new ones in their respective areas. The Province of Bombay is one of the main centres of the textile industry in the country and as such is directly concerned with the development of manufacture of Rayon. It is, therefore, in the fitness of things that Bombay should be prepared and ready with a scheme for this industry as part of its plan for industrial development and my Committee urge that no time should now be lost in going ahead with this proposal.

Incidentally it is significant to mention that this industry when started will require technical personnel having had practical experience in the working of the industry. The Government of Bombay have already accepted the necessity for securing trained personnel by asking foreign manufacturers supplying goods to this country to give the necessary facilities to Indian scientists and technicians for undergoing practical training in their factories. It may be recalled that a resolution to that effect was pased in the Bombay Legislature in the year 1938, *vide* :

> " This Assembly recommends to Government to issue instructions to all departments of Government, semi-Government bodies, Municipal Corporations and Municipalities, to insert in all contracts and agreements with non-Indian suppliers for the supply of stores, materials, machinery or services, a clause to the effect that the suppliers concerned shall afford every facility to Indian apprentices for practical training in factories, workshops or offices, owned, managed, controlled or patronised by them so as to enable the Indian apprentices to acquire a full knowledge of the technique and work of their trade, industry, calling or profession."

Accordingly, my Committee request that Government should also make arrangements for securing necessary facilities for Indian scientists who have applied their minds to a study of this problem for being trained in the practical working of the industry in any of the important factories in the U. K. or elsewhere.

An early reply in the matter is requested.

APPENDIX 71

Cotton Cloth and Yarn Control Order

Telegram dated 12th January 1944 from Chamber to Department of Industries and Civil Supplies, New Delhi.

Committee Indian Merchants' Chamber are greatly perturbed at the developments with regard to the Cloth Control Order specially with reference to cloth lying unstamped after 31st December 1943. Committee appreciate that Government extended time for disposal of such cloth manufactured before 31st August and lying undisposed upto 31st December. Government however themselves have pointed out the colossal stocks of such cloth showing that the problem is a very difficult one and that any misdirected action will result in great loss for the cloth merchants. It is now proposed by Government that they will seize all this unstamped cloth and in pursuance of this the Provincial Government are apparently taking action and seizing such goods lying with merchants and traders and even taking hold of godowns which contain stamped goods also along with unstamped goods. The recent *communique* fixed up a penalty for these unstamped goods in the shape of a 10 per cent stamping fee and also a cut of 10 per cent from the retail margin of 20 per cent which means that the merchants and traders will be penalised to the extent of 20 per cent for their unstamped goods. It is estimated that Government will get an unusually large amount through this stamping fee. Committee beg to submit that these orders are extremely unfair, irregular and one-sided. It is extremely inappropriate that Government should practically compel the merchants to sell off their goods without finding out the buyers especially when they proved their *bona fides* by offering their stocks to Government at 47½ per cent less any part of which Government did not purchase. The latest press note issued by Government states that the fees thus realised will be used by Provincial and State Governments to defray administrative expenses and to finance measures in relief to poor consumers of cloth. Committee are afraid that such an order is *ultra vires* and that no funds can thus be obtained by Government to finance their administrative measures. It is again left very vague as to what are these administrative expenses which are to be defrayed by the stamping fees and how is the relief to be given to poor consumers of cloth. It is new taxation entirely and in the ordinary course of things such measures of taxation should have

been endorsed by the Legislature. In this case not only the Legislature is not consulted but even the Control Board or any of its committees are also not consulted and the order is extremely vague with regard to the fundamental factor regarding the aims and objects of defraying the expenditure. Committee appreciate the difficulty of Government to find a solution to get cheaper cloth for the consumers while allowing the disposal of the large stocks of unstamped goods but the methods adopted are unfair and doubtful of results. When goods will be stamped at 10 per cent less price they are bound to be sold. Committee therefore suggest it is unfair and unjust to levy 10 per cent penalty. The stamping fee should be only a nominal fee say about 1 per cent and even if the merchants and traders are compelled to sell at 10 per cent over the ex-mill ceiling price that will also entail enormous loss to the traders and merchants. This will be a practical and expedient and less harmful way of arriving at a solution of this whole problem. In conclusion, Committee strongly suggest to you to request Provincial Government not to take any extreme measures like seizure of goods and to try for a settlement on lines which may prove salutary to the merchants, traders and consumers alike. Committee hope that the Provincial Government will announce immediately the procedure which they propose to follow in getting unstamped goods stamped so that merchants and stock-holders may not be subjected to needless harassment at the hands of the Executive.

APPENDIX 72

Issue of Licences re : Drugs Control Order

Letter No. 567 dated 15th March 1944 from Chamber to Government of Bombay.

The Chemists and Druggists Association, Bombay, has forwarded to my Committee copies of their communications addressed to you, dated the 28th February and 3rd March 1944, regarding applications for licences made by some members of the Association in terms of paragraph 6 of the Drugs Control Order, 1943. It would appear that the applicants in question were first asked to suspend the sales, and later on granted only temporary licence to enable them to make sales, without any right to make purchases, during a stipulated period. It is feared that Government may perhaps withhold the grant of licences to many of them on the ground that they were not

continuously in business throughout the years 1941, 1942 and 1943. My Committee are aware that under paragraph 6(2) of the said Order, it is provided that no licence shall be granted to any person who, in the opinion of the Licensing Authority, has not been carrying on business as a wholesaler, or, as the case may be, a retailer, continuously during the above three years. It would, however, appear that assurances were given that the above provision was not intended to penalise *bona fide* dealers and traders but that action under the same would be taken only to eliminate outsiders who had for speculative and other purposes entered the drugs trade and who were not *bona fide* dealing in drugs and medicines. The applicants in question, my Committee are assured, are all regular merchants in drugs and medicines, although some of them might have entered the business after 1941 or might not have been in the trade continuously during the above three years.

My Committee strongly support the case presented by the Chemists and Druggists Association on behalf of the applicants in question, and request Government that they will be pleased to consider the matter sympathetically and grant the necessary licences. It cannot be the intention of Government to penalise *bona fide* dealers and merchants in their attempt to control and regulate the trade. Government's early decision in the matter is requested.

Letter No. 638|62127|-IV dated 30th March 1944 from Director of Civil Supplies, Bombay, to Chamber.

With reference to your letter No. 590, dated the 24th March 1944, I am directed to state that the position in regard to the issue of licences under the above order was explained by the Controller of Prices to the four representatives of the Chemists and Druggists Association, Bombay, who were granted an interview in this connection, on 14th March 1944.

I am to add that this Government has recently modified its policy of granting concessions under clause 6(2) of the Drugs Control Order and as a result many more dealers are likely to get the necessary licences.

APPENDIX 73

Scale of Licence Fees fixed under the Drugs Control Order

Telegram dated 6th January 1944 from Chamber to Department of Industries and Civil Supplies.

The attention of Committee Indian Merchants' Chamber has been drawn to Notification issued by Government to the effect that the provisions of the Drugs Control Order regarding licensing of importers, manufacturers, wholesalers and retailers would come into force from 15th January and prescribing scales of fees for purposes of said licences. It is observed that Government have fixed the licence fees at Rs. 600 for importers, manufacturers and wholesalers in Bombay and Rs. 80 to Rs. 120 for retailers. The Advisory Committee was not consulted in fixing the fees. A levy on the above basis almost amounts to a tax on the trade and cannot be deemed to be in the nature of licence fees. Fees for licences are normally intended to be nominal and Committee are surprised that while on the one hand Government are expressing their anxiety to secure a reduction in the prices of medicine they are on the other trying to recover exorbitant amounts by way of fees from the trade which cannot but be passed on to the consumers in the ultimate analysis. Committee request that Government should reconsider the matter and revise the scale. In their opinion licence fees in no case should exceed Rs. 10 per annum. Moreover, Government have fixed 7th January as the last date for making applications. Complaints have reached Committee that on enquiry at the appropriate office a day ago prospective applicants were informed that prescribed forms were not even ready. In view of this it is not known how merchants could be expected to apply for licences before 7th January which incidentally is a public holiday. An extension of time is also essential if the trade is not to be avoidably inconvenienced. Moreover Committee understand that in fixing the schedule of medicines and prices under the Drugs Control Order Government did not previously consult the Drug Control Advisory Committee with the result that the prices actually fixed are in some cases higher than those which prevailed in the market. They urge that in order to secure the smooth and satisfactory working of the control it is essential at all stages to take the Advisory Committee and the trade interests into confidence and to get their approval to all the main proposals and steps which Government may consider necessary from time to time. It is hoped that the procedure of consultation and discussion with trade interests

will be strictly adhered to in all the stages of the working of the control scheme.

Letter No. 475-CS(D)(38)|43 dated 12th January 1944 from Department of Industries and Civil Supplies, to Chamber.

I am directed to refer to your telegram dated the 6th January 1944 and to say that the Government of India regret that their decision regarding licence fees under the Drugs Control Order cannot be suspended. I am to add that the controlled prices of drugs were fixed in full consultation with the trade.

Letter No. 469 dated 29th February 1944 from Chamber to Department of Industries and Civil Supplies.

I am directed to refer to your letter No. 475-CS(D)(38)/43 dated the 12th January 1944 on the above subject. My Committee regret the decision of Government not to modify the scale of licence fees fixed under the Drugs Control Order. From the information which has been placed before them by those directly concerned with the trade, they understand that the total trade in drugs and medicines, both imported and indigenous, is estimated to be of the value of about Rs. 6 crores per annum. The value of the import trade is estimated to be between 2 and 3 crores; and the value of the trade in indigenous drugs at about 3 crores. Even after allowing for variations in the volume of trade consequent upon the restrictions on imports, etc. and taking into consideration the large number of small-scale manufacturing units which have recently been established in the country, the above estimate of 6 crores of the total trade in drugs seems to be fairly reasonable. It is further estimated that the amount that would be realised by Government as revenue from licence fees on the basis of the existing scale would come to about Rs. 60 lakhs per annum. Thus the licence fees will work out to 10 per cent of the total trade. It is indeed a heavy burden on the trade and the levy cannot certainly be deemed to be in the nature of anything like " licence fees ". On the other hand, it would be deemed to be in the nature of a direct tax to the extent of 10 per cent on turnover and my Committee wish to reiterate their objection to Government imposing such heavy taxes on a trade under the rule-making powers in the shape of licence fees.

They again urge that licence fees are always expected to be nominal and not of the size and scale referred to above. It is therefore, requested that Government will be pleased to reconsider

the matter and revise the present scale of licence fees and charge only a scale of nominal fees for the purpose.

Government in their letter further observe that the controlled prices of drugs were fixed after full consultation with the trade. My Committee have made enquiries and they understand that at all events Indian trade interests concerned in the matter were not at all consulted. The very fact that the schedule of prices had to be revised within a short interval after it was framed goes to indicate that the original prices fixed were far from correct. My Committee, therefore, reiterate that at least in future Government should make it a point to consult Indian trade interests before fixing prices and other details connected with the administration of the above control.

Letter No. 479-CS(D)(2)|44 dated 9th March 1944 from Department of Industries and Civil Supplies, to Chamber.

I am directed to refer to your letter No. 469 dated the 29th February 1944 and to say that the Government of India regret that they are unable to reconsider the scale of licence fees fixed under the Drugs Control Order.

2. Both Indian and non-Indian trade interests were consulted in the preparation of the schedule of prices issued on November 11th, 1943, and in the revised schedule issued on February 15th, 1944. In addition, representatives of Indian manufacturers are included in the Drugs Control Advisory Committee which advises Government in the general operation of the Order and to the meetings of which representatives of the wholesale and retail trade have also been invited from time to time.

APPENDIX 74

Clearing Licences re: Medical Goods imported from the U. K.

Letter No. 640 dated 6th April 1944 from Chamber to Chief Controller of Imports.

I am directed to refer to the difficulties experienced by the importers from U. K. of medical goods into India. The Chemists and Druggists Association, Bombay, have drawn the attention of the Committee to the particular difficulties they have been experiencing in the above connection with regard to the requirement of a second licence for the clearance of imported goods which licence is issued by the Government of India at the instance of the India Office after the goods are despatched from U. K. As you must be

aware, the goods are consigned on the basis of an importers' licence issued in the first instance in favour of such importers. After the goods are despatched, as explained above, the Government of India issues another clearance licence on instructions from India Office. The Chemists and Druggists Association, Bombay, complain in this regard that often-times, the goods arrive at destination before the clearance licences issued by the Government of India reach them. Therefore, the goods have to be cleared in the absence of the clearance licence, on execution of a bond as also the payment of a fee for the said bond which fee is not refundable. You will find from the above that the procedure adopted inflicts hardships on the importers on account of the delay in issuing the second clearing licence, as a result of which, the importer has to pay for executing the bond for clearance of goods and paying fees for the same. My Committee feel that the second clearance licence is unnecessary, as the importers already hold a licence according to the Control Order.

It is hoped that the requirement of the second clearance licence above referred to will be dropped as also the requirement of executing a bond for the clearance of the goods.

Letter No. 23|Gen|27|44 dated 29th June 1944 from Chief Import Trade Controller to Chamber.

In continuation of this office communication No. 23/Gen/61/44 dated 21st April 1944, I write to say that arrangements have been made to ensure that clearance permits are issued promptly on receipt of intimation of shipment which is received by micrograms service. Import Trade Controllers have also been instructed to release such goods notwithstanding any minor discrepancies in the Customs Clearance Permits so issued. It is hoped that the delay and consequent difficulties will not occur in future. The Chemists and Druggists' Association, Bombay, has also been informed of the arrangements.

2. As for dispensing with the permits themselves, in view of the licence under the Drug Control Order, I regret this will not be possible so long as there is a control on import of such goods.

APPENDIX 75

Export of Ginger to U. S. A. from Cochin Port

Letter No. 698 dated 30th March 1944 from Chamber to Export Trade Controller.

Exports of ginger from British Indian Ports are now not allowed. My Committee are, however, given to understand that permission for exports are being allowed from the Port of Cochin. You are no doubt aware that there was a large export trade in ginger from the Port of Bombay and merchants here had established themselves in that trade. It is but fair that such merchants should be enabled to have a share of the exports now being allowed.

My Committee would like to suggest for your serious consideration that British Indian merchants should be assisted in securing a quota for the exports now being allowed from Cochin based on their share of the trade in the past.

In this connection, Messrs. M. Bhuta & Co., a Member-Firm of this Chamber has forwarded to me a copy of their letter dated 17th March, submitting their case to you for being allowed export permits from the Port of Cochin. They have therewith sent a statement of their previous exports.

It is requested that you will be pleased to look into the matter and give them the necessary assistance.

APPENDIX 76

Export of Printing Types to East Africa, etc.

Letter No. 1856 dated 13th September 1944 from Chamber to Director, American and Panel Imports, Calcutta.

I am directed to address you in the matter of difficulties experienced by the Gujarati Type Foundry, Bombay, regarding the export of types to East Africa, Dar-Es-Salaam, etc. My Committee are given to understand in this connection that there is no difficulty in securing freight for export of such types from Bombay to Dar-Es-Salaam, Mombasa, Durban, etc. It has been represented to my Committee, however, that before the exporter of types to the places mentioned above may be granted permission by your Department for such exports, he is required to fulfil one condition, viz. : that the exporter should be in a position to import from the above places a quantity of scrap metal equal to the quantity of new types

intended to be exported. This condition practically negatives the permission given for such export as it is impossible of fulfilment. If the exporter is required to import scrap metal before he can export new types, it would be impossible for the exporter to fulfil such a condition, as the presses at the other end would not be in a position to part with the scrap metal before than can replace the same by new types. Besides, the import of scrap metal raises many difficulties. Parties on the other side have to secure import licences before they could export the scrap; the parties on this side have to secure import licences before they can receive such scrap metal. The expenses likely to be incurred in the import of such scrap metal would be prohibitive as heavy transport charges have to be borne by the parties in addition to the import duty which Government collect on such import. The duty alone on import of types would amount to Rs. 9 per cwt., clearance charges would amount to Rs. 3 to Rs. 4 per cwt., transport charges from Nairobi to Bombay would be near about Rs. 3 to Rs. 6 per cwt., railway freight from Nairobi to Mombasa would amount to Rs. 6 to Rs. 7 per cwt. It will be observed from the above that it will be practically uneconomical to abide by the condition as aforesaid, the direct consequence of which will be that not only Indian trade and industry will suffer a set back, but those overseas presses dependent on Indian supplies for replacement of their used up types will not obtain necessary supplies. Under the circumstances, Government would be well advised to waive the condition and allow exporters to secure scrap types from anywhere in India against the quantity of types intended for export.

It is hoped that due consideration will be given in regard to the above difficulties and relief will be granted to exporters concerned on the lines suggested.

Letter No. API|1336-E(44) dated 13th October 1944 from Director and Imports Panel, Calcutta, to Chamber.

We are unable to allow export of the types in question unless scrap metal is imported into India and it is, therefore, suggested, that the importer in East Africa should be advised to send part of his scrap (half) to India and should obtain for this half a certain quantity of new type on receiving which he could send the remainder of his scrap to India and thus in return receive remainder of the new type required by him. Some firms are actually receiving export licences from us on this basis.

Letter No. 2316|2316A dated 16th November 1944 from Chamber to American and Panel Imports, Calcutta.

I am directed to acknowledge receipt of your letter of the 3rd October 1944, in the above matter. You suggest that with a view to allow export of types " the importer in East Africa should be advised to send part of his scrap (half) to India and should obtain for this half a certain quantity of new type on receiving which he could send the remainder of his scrap to India and thus in return receive remainder of the new type required by him." Your suggestion, in fact, means that the importer overseas is required, in the first instance, to return to India the old types as scrap metal before he could be supplied with new types from India. The objection of the trade to this suggestion is fundamental and it will be appreciated if your Department could take into consideration the fundamental fact that the presses overseas would be in a position to return the scrap only after the new types had been received by them. Whenever the presses make fresh purchases of types they first purchase the required varieties of types and get them distributed in the cases. Only after the new types are distributed in the cases, the old worn out types could be returned as scrap metal. You will thus see that it will not be possible to carry out your suggestion of first returning the scrap types before fresh types could be sent overseas. Licences granted under the terms and conditions as mentioned in your letter under reply are of no value so long as new types are not allowed, in the first instance, to be sent overseas before the scrap can be returned. As the matter stands at present, if Government compel the exporters to accept licences under the present terms and conditions, Indian type founders engaged in overseas trade will find it impossible to carry on their business. My Committee feel that the question requires reconsideration in the light of the above as Government's terms and conditions for issuing licences for export of types are impossible to conform to. My Committee feel compelled to reiterate their previous suggestion that exporters should be allowed to secure scrap types from anywhere in India against the quantity of types intended for export.

Letter No. API|1336-E(44) dated 27th November 1944 from Deputy Director, to Chamber.

With reference to your letter No. 2316 dated 16-17-11-44 I am to inform you that Messrs. Gujarati Type Foundry have since been granted the export permit as a special case. On receipt of the material in the Importing Country, the importer should send an equivalent quantity of scrap to India.

Letter No. 791|A dated 20th March 1945 from Chamber to American and Panel Imports, Calcutta.

I am directed by my Committee to invite your attention to the correspondence which they had with you on the above subject ending with your letter No. API/1336/E-44 dated the 27th November 1944 and to represent to you once again the difficulties experienced by this trade generally on account of the existing restriction on export of types.

The Bombay Type Foundry Owners' Association have represented to my Committee that orders for types in various languages, such as Gujerati, Hindi, Urdu and English from different countries like the British East Africa, South Africa, Zanzibar, Fiji Islands, Aden and Persian Gulf are pending or accumulated for over a period of eight months and could not be executed because of the impractical nature of conditions prescribed by Government for the grant of permission for export. Exports of types were to be allowed only if an exporter agreed to import an equivalent quantity of scrap types or metal. The trade has a fundamental objection to this condition being stipulated in export licence, as in actual practice this is too difficult and uneconomical a condition to be fulfilled and as a result of any export licence granted on this basis nullified any export permission technically given to an exporter. An oversea importer, in fact any press, is not in a position to send out old types unless he has received new types and put them in cases. Any such stipulation with the export licence makes the observance of the condition well-nigh impossible.

Furthermore, Government insist that scrap types must be received from the same press to which the new types are intended to be exported, at least that is how permits so far issued read like. They do not even agree to the same quantity of old types being brought into British India from any other country. There are also considerable difficulties experienced at the time of securing local import permits for scrap types for the import control authorities put various types of restrictions at the time of import or unusually delay granting such permits. The countries which require types from India have their own export restrictions regarding scrap or metal, with the result that the printing presses in those countries are not at liberty to send easily the required quantity of scrap types. My Committee have also to draw your attention to one particular fact namely that scrap types when imported are not ordinarily treated

as types paying a duty of Re. 0-1-3 per lb. as on types, but are required to pay import duty of about 20 per cent as they are treated as metal. This makes a substantial difference in the landing cost in the ultimate realisation to the buyer.

My Committee feel that if the present restriction is continued the overseas business of the type foundries will be affected and the trade that has been so systematically and carefully built up will be lost to this country. This industry has been brought into existence with considerable difficulties and they feel that Government should help to give facilities to remove the difficulties of this indigenous industry by making such changes in the terms and conditions of granting export licence as would enable an exporter, firstly to export types to overseas countries and then, if so necessary, requiring him to import about the same quantity of scrap types or metal from all available sources in the country to which the types were exported or from elsewhere as may be feasible. In this connection, my Committee have also to specifically request you that where permits are to be granted, they should be granted as promptly as possible and not delayed for a considerable time as such delay causes serious handicap to the buyer and some dislocation of business.

My Committee hope that Government will be pleased to reconsider their decision in the light of the above and will make suitable modifications in the terms and conditions for issue of licences for export of types.

APPENDIX 77

Restriction on Exports of Cardamoms

Letter No. 1944 *dated 23rd September* 1944 *from Chamber to Department of Food, New Delhi.*

The Bombay Kariana Merchants' Association has forwarded to my Committee a copy of its representation dated 14th September 1944 addressed to Government on the question of the removal of restrictions on exports of Cardamoms. It would appear that under the existing scheme of control, exports of spices are allowed only on the basis of the share of trade of individual exporters in the year 1941-42, and as cardamoms are for such purposes treated as spices, the same restrictions apply in respect of their exports. The Association has, in the said representation, pointed out that last year the cardamom crop was a bumper one and the restriction on exports

has resulted in the accumulation of huge stocks. Prices have also gone down from Rs. 300-360 to Rs. 85-115 per cwt., the lowest in the last 20 years. Even normally, India consumes only 25 per cent of the production. Under the above circumstances, if there is no improvement in the export position, the Indian plantation of cardamoms is likely to receive a serious set-back. It is significant to mention that India and Ceylon are the only two countries, having exportable surpluses of this commodity. My Committee are given to understand that exports from Ceylon are not restricted with the result that, while the Indian prices are in the region of Rs. 85-115 the Ceylon price is round about Rs. 225 per cwt., and that the commodity is of a perishable nature and gets deteriorated and weevilled within a short period of time.

Having regard to the foregoing considerations, my Committee request that Government will be pleased to look into this matter and arrange immediately for the necessary explanation of the existing control on exports of cardamoms, so that India may be enabled to send out her exportable surplus of this commodity.

Letter No. L-360(1) dated 7th October 1944 from Food Department to Chamber.

With reference to your letter No. 1994, dated the 23rd September 1944, on the above subject, I am directed to say that the Government of India regret that they are unable to accede to your request relating to the relaxation of the existing control on the export of cardamoms.

Letter No. 2167 dated 26th October 1944 from Chamber to Food Department.

I am directed to acknowledge receipt of your letter No. L-360(1) dated the 7th October 1944, on the above subject.

My Committee are disappointed that Government have not thought it fit to explain the circumstances under which they are not able to agree to the suggestion made by them for relaxation in the existing control on exports of cardamoms. From the facts, as they have been placed before my Committee, the attitude taken up by Government does not seem to be justified. The supply position in the country is reported to be very satisfactory. Prices have slumped and stocks are accumulating. There is the danger that if exports are not very freely permitted, the accumulated supplies would deteriorate seriously, resulting in undesirable consequences, in addition to causing financial loss to those concerned.

While my Committee realise that every care should be taken to conserve as much supplies as are necessary for meeting the inter-

nal requirements to the full, they cannot help pointing out that in the face of the reports about large carry-over of stocks, the decision of Government not to relax the existing strict restrictions on exports requires reconsideration. At any rate they would like to hear from Government in greater detail explaining as to why they are unable to agree to more exports being allowed.

APPENDIX 78

Shipment of Oilseeds and Purchase of Oilseeds from Australia—Quota of

Telegram dated 19th August 1944 from Chamber to Commerce Department, Government of India.

The attention of the Committee of the Indian Merchants' Chamber has been drawn to the injustice done to the Indian exporters by the procedure laid down for regulating exports of non-essential oilseeds such as linseed, castorseed and groundnuts under which licences for countries like Australia and New Zealand are granted only on the basis of exports in the year 1941/42 implying thereby that applicants who had no share of the trade in that year would not be entitled to any quota. The export trade in oilseeds to Australia and New Zealand and other Dominions has developed very recently with the result that only two or three non-Indian agencies who were doing business in that basic year are at present entitled to quota. Committee consider the above position extremely unfair to Indian interests. It is significant to point out that so far as exports to United Kingdom are concerned there is no such quota system in operation. Exports to empire countries like Australia and New Zealand also should be treated on the same basis that is Australia and New Zealand Governments should be allowed to buy oilseeds on their own account directly from all established exporters on the basis of open tender. However, if quota system is to continue then such quota should in fairness be divided equitably amongst all established shippers irrespective of whether they have shipped any quantity or not in 1941/42. Committee have in this connection seen copy of telegram dated 2nd August 1944 sent by the Seeds Traders' Association, Limited, Bombay to Government and they generally support the case put forward therein.

APPENDIX 79

Import of Cotton Ropes, Tapes and Bandings

Letter No. 2215|2215D dated 3rd November 1944 from Chamber to Department of Industries and Civil Supplies, Government of India.

The Textile Stores & Machinery Merchants' Association, Bombay, have forwarded to my Committee copies of correspondence they had with the Textile Commissioner, Government of India, in connection with the import of cotton ropes, tapes and bandings into

this country. It would appear from the correspondence, that it had been the considered policy of the Government of India to encourage, by all possible means, production of these articles in the country and to take recourse to imports only when the internal production could not meet the requirements of the textile industry. The Textile Directorate has, as a result, followed the policy of extending help in all possible ways to the indigenous manufacture of mill machinery, spares, chemicals and mill-stores and had only extended priority assistance and granted import licences in the case of items which could not be manufactured in adequate quantities in India by Indian manufacturers. It would be realised, therefore, that it had been the policy of the authorities to encourage indigenous production of the articles referred to above. The manufacturers of these articles have been supplying the requirements of the textile mills since long and the mills were satisfied with the quality of the articles supplied to them. The Association had submitted to the Textile Commissioner complete facts, figures and data showing that about 189 mills were buying their requirements and that the quality of the articles were quite to their satisfaction. My Committee, however, understand that the authorities are now encouraging imports of all these articles at the cost of internal production, in spite of the fact that such imports are not necessary both in respect of quantity and quality.

My Committee beg to request Government that they should take recourse to importing these articles only if the internal production is not sufficient and that all possible steps should be taken to encourage indigenous production.

APPENDIX 80

Import Licences for Watches

Letter No. 1169 dated 13th June 1944 from Chamber to Chief Import Trade Controller.

I am directed by my Committee to draw your attention to the difficulties experienced by the watch dealers in Bombay in getting their supplies of watches owing to the procedure in vogue for granting import licences.

At present applications for import licences for watches are considered on the basis of past share of imports of watch dealers. In normal times, however, most of the dealers used to get their supplies from the branch offices or agents here of foreign manufacturers. These dealers, with the exception of three or four, having had no direct connections with overseas exporters, are not in a position to establish their claims for quota on the above basis; nor is it possible for them, in the existing circumstances of scarce supplies, to obtain their requirements from the importers and their agents with the result that it has become increasingly difficult for them to get adequate stocks to meet their business requirements.

My Committee, therefore, beg to request that suitable modifications in the procedure for the grant of licences be made, whereby the dealers can obtain direct licences to import watches, based on their share of purchases in normal periods through the importing houses or agents of manufacturers, or, in the alternative, an arrangement be made under which the importing houses and the agents of manufacturers here should distribute a prescribed quota for sales through the dealers.

APPENDIX 81

Floor Prices for Cotton

Telegram dated 21st July 1944 from Chamber to Industries and Civil Supplies Department, Government of India.

" Committee Indian Merchants' Chamber extremely regret the action taken by Government in announcing a reduction in the floor prices fixed for cotton by Rupees 50 in the case of Jarilla and larger amounts in the case of some of the other varieties. Further in regard to certain varieties Government have fixed only ceiling prices. Committee definitely of the opinion that wherever ceiling prices have been fixed floor prices should also be fixed. The reason given by Government in justifying reduction extremely unconvincing. While not disputing the necessity for increased cultivation of foodcrops, Committee cannot agree to a proposal that the same should be achieved by penalising the cotton cultivator. The cost of living has not gone down during the year and on the other hand the cost of production has definitely increased owing to high prices of bullocks, agricultural implements and labour. Having regard to the foregoing considerations Committee request Government to reconsider their decision and to restore the floor prices to their previous levels."

Letter No. CX2(16)34 dated 8th August 1944 from Textile Commissioner, Government of India, to Chamber.

I have the honour to refer to a telegram dated 21st July addressed by your Committee to the Industries & Civil Supplies Department, New Delhi, and to advise you that the Cotton Committee of the Textile Control Board has made somewhat similar representations to Government on this subject.

2. These recommendations are under the active consideration of Government and Government's view will be notified to the Cotton Committee in due course.

APPENDIX 82

Licensing of Imports of Dyes and Chemicals

Telegram dated 18th February 1944 from Chamber to Commerce Department, Government of India.

Committee Indian Merchants' Chamber are given to understand that Government contemplate laying down new procedure for grant

of licences for imports of chemicals like Hydrosulphite of Soda and Zinc Chloride whereunder imports will be permitted only through accredited representatives of manufacturers. It appears that a proposal to that effect was recently discussed between the representatives of the import trade in chemicals and officials connected with the Textile Control Board. If any such changed procedure is contemplated Committee wish to draw the serious attention of Government to the fact that the same would involve an injustice to established Indian importers inasmuch as the import trade would come to be canalised in mainly one or two non-Indian agencies. Any such development would be extremely undesirable not only in the interests of the Indian importers established in the trade but also in the general interests of the country. The country should not be placed in a position of being left at the mercy of what would then amount to one or two monopolistic agencies for the supply of their essential requirements of chemicals. It is the duty of Government to ensure that any proposals or arrangements made in connection with the administration of their control policy did not result in obvious injustice to any section of the trade. Committee therefore strongly urge that the proposal in question should not be proceeded with and that licences for imports of Hydrosulphite and Zinc Chloride should continue to be granted to importers without any distinction as between direct representatives of manufacturers and others.

Letter No. 17(6)-*ITC*|44 *dated* 14*th April* 1944 *from Commerce Department to Chamber.*

With reference to your telegram dated the 19th February 1944 regarding the issue of licences for the import of chemicals like Hydrosulphite of Soda and Zinc Chloride I am directed to say that it has been decided purely as a temporary measure that licences for the two chemicals in question should be issued for the current shipping period only, to accredited representatives of manufacturers, but in respect of other chemicals it is not proposed to alter the system prevailing for some time past of licensing the chemicals in question on merits taking the past imports into account. I am to add that the Government of India propose to give due consideration to your suggestion while laying down the policy for licensing Hydrosulphite of Soda and Zinc Chloride for July-December 1944 and subsequent periods and that a Standing Advisory Committee consisting of 17 members many of whom are representatives of established importers, has also been constituted to advise Government in the matter of import and distribution of chemicals and dyes.

Letter No. 1085 *dated* 31*st May* 1944 *from Chamber to Commerce Department.*

I am directed to acknowledge receipt of your letter No. 17(6)-ITC/44 dated the 14th April 1944.

My Committee note that the decision to confine licences for imports of Hydrosulphite of Soda and Zinc Chloride to accredited representatives of manufacturers was in respect of the current ship-

ping period only and that in regard to other chemicals it was not proposed to make any change in the existing system of licensing based on the share of past imports. While my Committee cannot help reiterating their objection in principle that even as a temporary measure Government ought not to have adopted a procedure resulting in the canalisation of the trade as referred to in their previous communication, they wish definitely to urge that when the question of import licences for subsequent shipping periods are reviewed, Government should revert to the established procedure of giving licences to recognised importers on the basis of their past share of imports. The question is one involving an issue of fundamental principle and my Committee hope that Government will not depart from the normal practice guided by any considerations of temporary expediency.

While on this, my Committee would also like to emphasise that when considering the allotment of quotas and the issue of licences for imports, Government should, at the same time, examine the possibility of Indian production meeting the internal requirements and licences issued should be strictly limited to the extent of the deficiency in local production and supply. My Committee have received communications from chemical manufacturing interests expressing their apprehension about the proposal to import large quantities of heavy chemicals even in respect of such chemicals in which the output of the factories established in the country has not been completely taken up or absorbed in use. It will be appreciated that when Indian production is sufficient to meet the internal demand, any policy of assisting imports in these abnormal days will adversely affect the position of the Indian industry. Government, therefore, must lay it down as their recognised policy that licences for importation will be given only to such chemicals in regard to which the local production has not kept pace with the demand for supplies and also only to the extent of the actual deficiency in supply.

In this connection, my Committee also understand that Government have constituted or intend constituting an Advisory Committee to be attached to the Supply Department to assist in the work of correlating arrangements for the importation of supplies to the extent of deficiency in internal production as also to advise Government on cognate matters. It is very essential that the Indian chemical manufacturing interests should be represented on such a Committee so that Government may have accurate information and guidance regarding the manufacture of such chemicals, both actual and potential, within the country. The advice of the chemical manufacturing interests will enable Government to judge the position correctly and to confine assistance in the matter of import priorities, etc., to things which are actually required and which could not be met by internal sources of supply.

It is hoped that Government will be pleased to take the above factors into consideration and to do the needful in the matter.

Telegram dated 29th June 1944 from Chamber to Commerce Department.

Reference previous correspondence regarding licensing of chemicals ending with your letter No. 17(6)-ITC dated 14th April and our reply thereto dated 31st May Committee Indian Merchants' Chamber are given to understand that on the recommendation of the Advisory Committee on Chemicals and Dyes the Textile Control authorities Bombay have recommended to Government to continue the policy of canalisation of import licences for Hydrosulphite of Soda and Zinc Chloride to accredited representatives of manufacturers for the second shipping period of the current year also. Committee earnestly request Government not to accord their sanction to the above proposal and question involves issue of fundamental principles and Committee request that the policy of canalisation which it was said was introduced as a temporary measure should be abandoned and instead the normal system of granting licences to recognised importers on the basis of past share of import should be restored.

APPENDIX 83

Restrictions on the Imports of Cashewnuts

Telegram dated 11th August 1944 from Chamber to Commerce Department, Government of India.

Committee Indian Merchants' Chamber support the case submitted by the Memon Chamber of Commerce, Bombay for lifting the prohibition on imports of raw cashewnuts from Portuguese East Africa. Notification issued by the authorities mentioned that imports would not be allowed upto the end of June 1943. Merchants were under the impression that in due course ban would be lifted and had made advance purchases in that country for shipment during the current year. If imports not allowed they would be put to considerable financial loss. A large number of Indian labourers find occupation in the operations connected with shelling and cleaning nuts carried on here prior to re-export to America. Understand that imports can be arranged by country-craft and will not strain shipping. Committee request Government to consider matter favourably and grant licences.

Letter No. 562 dated 21st December 1944 from Chamber to Commerce Department.

The attention of the Committee of this Chamber is drawn to the present restrictions on the imports of African Cashewnuts from Portuguese East Africa and the consequent hardship and loss experienced by those engaged in the trade. My Committee would like to refer, in this connection, to their telegram dated 11th August 1944 (copy enclosed for ready reference) supporting the case submitted by the Memon Chamber of Commerce, Bombay, and to add that since then it is understood the authorities have allowed the

imports of cashewnuts to India only from the Sterling areas. My Committee beg to request that open general licence to import cashewnuts from Portuguese East Africa should be allowed to enable the Indian merchants to continue their trade as in the past.

The question regarding shipping space is not likely to come in the way, should Government decide to relax the present restrictions, as my Committee understand that the country craft owners are only too anxious to carry cashewnuts from the exporting country to India. They, therefore, request that Government will be pleased to consider the case on its merit and allow imports of the article in question to India.

APPENDIX 84

Duty on Export of Groundnuts from the Nizam's Territory

Telegram dated 13th January 1944 from Chamber to H. E. H. the Nizam's Finance Member.

Committee Indian Merchants' Chamber are given to understand that H. E. H. Nizam's Government are contemplating the levy of an additional duty on exports of groundnuts from the States territory. It may be recalled that the duty at the existing rate was first levied in August last and if now the same is increased in any manner as reported the repercussions on the trade in groundnuts will be of a far-reaching character. Committee wish to point out that large commitments have been made by merchants and exporters in British India for supplying seeds at stipulated prices taking into account only the existing level of the duty and if at this juncture namely the middle of the season an extra duty is levied the fulfilment of such commitments if not made impossible will at any rate be attended with substantial financial loss to the parties concerned. Moreover the levy of such a duty cannot but react adversely on further purchases of groundnuts in the States territory on behalf of merchants from British India and therefore even in the interests of the State and its cultivators in the long run the duty would be found to be inadvisable. Committee therefore urge H. E. H. the Nizam's Government to be pleased to abandon the proposal and to make an immediate announcement that no such increase is intended so as to restore confidence in the market and to facilitate normal movement of contracted supplies.

APPENDIX 85

Export of Oilseeds and Edible Oils*

Letter No. 107-CWB(14-1)|43 dated 6th March 1944 from Commerce Department, Government of India to Chamber.

With reference to your letter No. 3091 dated the 25th November 1943 on the above subject, I am directed to say that owing

* For Previous Correspondence see Report 1943, p. 412.

to the shortage of oilseeds a limited quantity of groundnuts and other oilseeds is allowed to be exported from India to meet the essential war requirements of countries dependent on India for their supplies. In fixing the permissible level of exports, the Government of India have taken into consideration all relevant factors such as the total production in the country, the increased internal requirements and the possibility of groundnuts being used as an alternative article of diet in the present emergency.

2. I am to add that the position is constantly under review and that the restrictions will be tightened up further, if found necessary.

Telegram dated 29th June 1944 from Chamber to Commerce Department, Government of India.

Reference previous correspondence on the question of prohibition of exports of groundnuts and oilseeds ending with your letter No. 107-CWB(14-I) dated 6th March last Committee Indian Merchants' Chamber are given to understand that exports to the extent of about three to four lakhs tons of groundnuts have been allowed. They further learn that the Ministry of Food is pressing Government for allowing further exports. Anticipating grant of permission exporters have commenced purchasing large quantities. Committee feel that this will result in raising prices of groundnut oil, vegetable ghee and manures which are already high as also in accentuating the shortage in these articles. Moreover due to late and insufficient rains in many parts of the country the sowing has not in many places yet commenced. Committee emphasise that groundnut is an article of subsidiary food value to the country and urge that Government should adopt a definite policy of complete stoppage of exports for the duration of the present emergency.

V. GENERAL

APPENDIX 86

Release of Mahatma Gandhi

Telegram dated 3rd May 1944 from Chamber to Home Department, Government of India.

" Committee Indian Merchants' Chamber consider it their painful duty to inform the Government of India that they in common with the entire Indian public have learnt with feelings of deepest sorrow and anxiety that Mahatma Gandhi's health has worsened and that he has developed anaemic condition. As he is revered by millions of his countrymen not only as their political leader, but also as a great and good man, who has a message to give not only

to India but also to humanity his illness would have caused serious anxiety to them at any time but at his present age it has naturally caused them grave concern and alarm. Committee therefore beg to urge that the Government will be pleased to take this new and grave factor into consideration and release Mahatma Gandhi forthwith as his detention any longer may cause the gravest complications and serious repercussions in this country."

APPENDIX 87

Interview with the Hon'ble Sir Jwala Prasad Srivastava, K.B.E., Member for Food, Government of India

Notes of Mr. Pranlal Devkaran Nanjee, President, Indian Merchants' Chamber, on the points for discussion at the meeting with the Hon'ble Sir Jwala Prasad Srivastava, K.B.E., *Member for Food, Government of India, on Tuesday, 5th September* 1944 *at* 12 *noon.*

SIR JWALA PRASAD,

On behalf of the Committee of this Chamber, I have great pleasure in welcoming you in our midst. This is your second visit to the Chamber after you assumed office as Member for Food. There were many developments during the intervening period.

When you met us in September last year, we were naturally overwhelmed by the harrowing conditions of scarcity and famine in several parts of the country, more particularly in Bengal and some areas in the South. While, happily, the immediate distress has been relieved to a large extent, recent reports about the possibility of a recurrence of scarcity have tended again to give rise to fears that the position is still far from being reassuring. We hear reports about shortage and scarcity in several rural areas of Bengal, Bihar and Orissa, South, etc. The situation, therefore, calls for very energetic and effective measures on the part of the Government of India, so that the country may be saved from the recurrence of any large-scale catastrophe.

Supply Position: The Report of the Foodgrains Policy Committee, which was published in September last year, emphasised certain remedial measures for securing the maximum supply and equitable distribution of foodgrains for the duration of the war. These measures mainly were :—

(1) an increase in available supplies; (2) improvement in the procurement machinery; (3) machinery for a more equitable distribution; (4) control and regulation of prices; and (5) administrative readjustments.

The first recommendation about increase in supplies was by far the most important, as the same was intended to improve the balance of the position and to secure relief for the immediate future.

It was recommended that having regard to the fact that the internal production was not sufficient to meet the requirements of the country, arrangements should be made to import annually one million tons of foodgrains and an additional half a million tons for the first year for the purpose of creating a Central Reserve, which was so necessary to absorb the periodical shocks and to facilitate any scheme of even distribution. This very important recommendation was accepted by Government, and the country generally looked forward to necessary steps for implementing the same. Unfortunately, from the information which has recently been officially placed before the public, it would appear that so far only 400,000 tons of imported foodgrains have been available. It was further mentioned that another 400,000 tons are in sight and may be expected to reach the country before the end of September. Even then we would be short of the agreed programme by 200,000 tons; not to speak of the other half a million tons Reserve which should also have reached us within that period. The position cannot be viewed with equanimity; more so in the light of the information that is slowly trickling regarding the re-appearance of conditions of scarcity in different parts. We are glad, Sir, to learn that you share our views in regard to the essentiality of securing, without delay, the complete quota of imports under the above programme. We hope that this matter will be pursued energetically with His Majesty's Government and that arrangements would be made to get the additional shipments necessary to make up the deficiency.

It might be argued that in view of the known difficulties connected with shipping, India must for the present be satisfied with her current requirements and that the question of building up a Central Reserve should stand over till conditions are more favourable. It is necessary to dispel any misapprehensions on this account existing in the minds of His Majesty's Government or the exporting countries, and the Government of India should point out to them that, without such an additional supply, the plan of Central distribution cannot function effectively.

Procurement : It has also been recognised that next in importance to the question of augmenting supplies is the organisation of orderly procurement of supplies of foodgrains grown within the country and arrangements for their equitable distribution. This part of the work is now mainly done under the direction and control of Provincial Governments. It is, however, necessary to review whether any changes in the existing arrangements are necessary with a view to improving the position. While it is not our purpose to make any specific complaint or grievance on this occasion, it is common knowledge that the procurement machinery has not been functioning as effectively and successfully as one would wish for. The recent disclosures connected with the arrangements in Sind are certainly unedifying. Distribution of foodgrains in all parts of India should be uniform and there should be no distinction as between surplus

provinces and deficit provinces. The surplus provinces should consider it their duty to share whatever is available with provinces less fortunately placed, and the procurement policy and machinery should be so designed and directed as to achieve that object.

Uniformity in Policy: Now and again there are reports about this or that province not being inclined to fall in line with the programme and policy outlined by the Central Government in matters connected with food procurement and distribution. Any divergence in outlook in that regard should be deprecated. As we had observed, India should be considered as one economic unit for purposes of food distribution during the present emergency and if any impediments are placed in the way of the Central Government in treating this matter on that basis, we should have no hesitation in suggesting that the Central Government should be firm and get their policy and programme carried out. In fact, we consider that food procurement and distribution should be deemed as one of the measures for the Defence of the Realm and, as such, should be treated for the duration of the war as a matter of Central responsibility. Constitutional niceties should not be allowed to stand in the way of a satisfactory discharge of that responsibility, and if any provincial authorities indicated signs of recalcitrance, the Centre would be justified in assuming full control, as they have done in other matters pertaining to Defence.

Bombay, as a deficit province, naturally is very anxious on this point. It was disclosed by Mr. H. F. Knight, Adviser to His Excellency the Governor of Bombay, in a press statement, which he issued about a month or two ago, that during the year 1942-43, the deficit in the province was estimated at 600,000 tons, and supplies imported both from the other parts of the country and from outside sources amounted only to 358,000 tons. Bombay had thus to go short. We are not aware of the corresponding position for the current year; but as far as our information goes the actual deliveries to the province to make up the shortage have proved short of the quantity necessary and perhaps allotted under the distribution scheme. We are mentioning this to emphasise that however good the plan which the Centre may formulate may be on paper, if the same is not enforced in all its details, both in letter and spirit, the results achieved will be very short of the expectations held by the planners.

Trade Channels—Personnel: The existing organisation for the purchase of foodgrains should be improved. The Government of India should have a greater control and supervision over the purchasing agencies. In this matter a more satisfactory and efficient service could be expected if the normally recognised trade channels are enlisted. Government's programme of price fixation and control can function only if the machinery tapping the sources of supply is kept in perfect working order and above suspicion. We wish further to emphasise that the personnel selected for buying grains on behalf

of Government should be confined to the sons of the soil. You can expect them to be inspired by a spirit of service to their suffering fellow-countrymen and put forth their sincere efforts to achieve the best possible results. Similarly the personnel of the Food Department, particularly those responsible for the formulation and enforcement of policies and plans should all be Indians. Persons knowing customs, traditions and habits of the people can more readily appreciate the requirement of the situation. We have more than once conveyed to you our disapproval of enlisting foreign personnel in the above spheres of work and we urge that this aspect is of considerable importance in achieving the necessary measure of success for your plans and programme.

Increasing Production: We are aware that this aspect of the problem does not exclusively concern your Department. But, having regard to the fact that it is relevant to the main problem of food supply, we would like to make some suggestions so that you may do the needful in consultation with your colleague directly responsible for the same. The long-range aspect of food shortage has necessarily to be solved by intensifying production in the country. The " Grow-More-Food " campaign has yet to catch the imagination of the people. The indifference is possibly due to the fact that it is not sponsored by persons who are in intimate touch with the agriculturists and local conditions. We suggest that efforts should be made for a larger and closer association of non-official leaders of thought in attempts for an increased growth of food crops. The Government of Bombay recently introduced a measure to provide for the regulation of cultivation of crops with a view to compulsorily growing more food crops in preference to commercial and other crops. Similar measures may be adopted on an all-India scale. But, legislation by itself, cannot engender the necessary popular enthusiasm for creating favourable conditions. More practical inducements should be offered to the agriculturists, like revenue remissions, advance fixation of minimum prices which would leave sufficient margin, provision of agricultural implements, facilities for supply of seeds, cheap manures and fertilisers, etc. Side by side, provision of consumer goods such as kerosene, clothing, matches, sugar, medicines, etc. will prove to be a psychological factor in encouraging the cultivator to put forth his maximum effort. There are also various problems of long-range policy such as questions connected with land tenure, irrigation, roads, marketing facilities, etc. This is perhaps not the fit occasion to go into these aspects in detail. You will, however, appreciate the importance of the same and impress upon your colleagues the necessity for the initiation of a correct and co-ordinated policy in regard to all those matters.

Export of Edible Oilseeds: We are aware that this question also is not directly under your Department. But in view of its relevancy to the question of food as a whole, we would like to place

our views before you. We have been urging almost since the beginning of the present food trouble that groundnuts and other edible oilseeds which are of supplementary food value should not be allowed to be exported and that Government should put a prohibition on such exports for the duration of the emergency. Government, although they recognised the force of our suggestion, have been allowing the exports. Recently, there have been reports about large quantities having been shipped for the requirements of His Majesty's Government. There were also reports that large supplies are regularly being exported from Indian State ports. This latter information may be checked up and, if found true, energetic steps be taken to represent to the authorities of the States concerned, to stop such exports. Such an action is particularly necessary at present, as, due to the late monsoon and other factors, the oilseeds crop during the coming season is not likely to be satisfactory. The prices of edible oils have also gone up substantially and the stoppage of exports of seeds would be an automatic check on oil prices.

Slaughter of Prime Cattle : This is also a matter in which your Department is not primarily concerned. All the same, the subject is closely related to the main purpose we have all in view. The cattle wealth of the country should be preserved, both for agricultural purposes and for the production and supply of milk. There is already a considerable deficiency in protective food, and if cows and she-buffaloes are allowed to be slaughtered indiscriminately, the effects of malnutrition will leave its impress even on the future generations. Even as it is, prices of cattle have gone abnormally high and agriculturists are finding it rather difficult to procure and maintain the necessary heads of cattle. Government have issued instructions protecting certain categories of cattle. Certain Provincial Governments have also made rules prohibiting the slaughter of cattle below a prescribed age. My Committee feel that such instructions and orders will not serve the purpose unless they are strictly enforced. In our opinion, Government should by a legal enactment prohibit the slaughter of milch cattle, bullocks in good health below the age of 15, cows in milk, pregnant cows and cows capable of bearing calves, dry cattle and heifers fit for breeding and bulls fit for work and any breach of the above provisions should be made a penal offence; otherwise the Orders are likely to remain only a pious wish.

Statistics re : Agricultural Economy : We would like to emphasise the importance of collecting and maintaining statistics relating to the agricultural economy of the country, in all its details as in the advanced countries. We realise that this is a long-range problem, but if the necessary spade-work is not done during the present psychologically favourable moment, things may be again allowed to drift after the war. In this work the Provincial Governments are more directly concerned, but if the Centre initiates a programme and chalks out the lines of which information and statistics have to be

collected and maintained, the provinces can no doubt be expected to do the needful by collecting the necessary materials for each province.

Before concluding, we would like again to emphasise the extreme importance of impressing upon His Majesty's Government to agree to make available, without delay, the balance to make up the supply of 1 1/2 million tons of foodgrains for the current period ending September 1944, as in the absence of an announcement that the said supply would be forthcoming, the feeling of nervousness already evidenced in the country would deepen and there is bound to be visible a tendency on the part of the people to hold back supplies.

Reply of the Honourable the Food Member at the Meeting of the Committee of the Indian Merchants' Chamber, Bombay, on Tuesday the 5th September 1944

Since I met you in September last the food position in the country has undergone a substantial change for the better. Nature was kind to us and we had one of the biggest rice crops of the last few years. Unfortunately, the wheat crop this year has not been equally good but all the same the general improvement in the situation is reflected in the fact that Government have been able to maintain statutory price control for the important foodgrains excepting rice about which it has not been possible to have an all-India statutory maxima. The basic plan operating for this year relate to the period November 1943 to October 1944 as regards *Khariff* and May 1944 to April 1945 as regards *rabi*. The total movement target set up under these plans is 2.6 million tons grain of which 1.3 million tons have already been despatched up to the 15th August 1944. On the basis of the present estimates, we are hopeful that the wheat, gram, barley and maize quotas as well as the bulk of rice quotas will be fulfilled within the respective crop years. The only difficulty is regarding millets where the supply position has become difficult and it may not be possible for us to fulfil the entire quota. You will see, therefore, that taking the country as a whole in respect both of price control and of movement under the basic plan, the position is not too unsatisfactory. I do not want to suggest that the food problem has been solved or that we are yet out of the wood. I am aware that in some regions conditions regarding food supply have been more acute than in others. Reports have been received of shortages in some local areas in Orissa and South-West coast of Travancore, Cochin and Malabar. The Provincial and State Governments concerned, however, are taking all possible steps to increase supplies in these areas and the Food Department have under consideration measures for assisting the Provincial Government in meeting these local shortages. As far as Bengal is concerned, the position has shown considerable improvement within the last two months, the average of sub-divl : rice price having come down to Rs. 14-13. In Chittagong in particular, average prices have declined from Rs. 36 to Rs. 16 and on the whole prices are showing an easier tendency

in the whole of Bengal. Government are taking action for the despatch of emergency relief supplies, whenever special needs have arisen in different parts of the country. Thus, Food Department replaced the entire stock of the foodgrains destroyed by the Bombay explosion. The rice quotas allotted to Travancore and Cochin have been substantially increased compared to last year, and special quotas approximating roughly to 40,000 tons of wheat and wheat flour were made to the U. P. this year in view of the shortage of the wheat crop in their province. Extra allotments have also been made from imports to C. P. and recently a substantial allotment of 80,000 tons, which practically meets the entire demand of the Bombay Government, has been made to Bombay. You will see, therefore, that with the limited resources at its disposal, the Food Department is trying its best to meet local shortages where and when they arise in the different parts of the country. I agree with you that the crux of the problem lies in the availability of the imports. You know that I have been pressing on His Majesty's Government with all the force at my command the imperative necessity of implementing the Gregory Committee's recommendations and letting us have one million tons of imports with an extra 500,000 tons as reserve. The Gregory Committee's Report was published in September last and I have been able to secure a promise of 800,000 tons of grain within 12 months ending September 1944. I am not satisfied with this performance, but these 12 months have also been a period of the most widespread and intensive war effort on the part of United Nations and rival claims on the shipping available had also to be taken into account. War, however, at least in the European theatre, is now coming to a happy ending and I expect that this should enable His Majesty's Government to release more shipping and provide India with the full quantum of 1 1/2 million tons as recommended by the Gregory Committee in the next complete year. I need hardly assure you that I shall spare no efforts to get His Majesty's Government to supply us the full quantity of imports that we require in order to control the food situation in India. In the meanwhile, I would ask you to believe that the Government of India is in continuous touch with Provincial and State Government regarding shortage and scarcity in their areas and are taking energetic and effective measure for saving the country from the recurrence of any such large scale catastrophe as we experienced last year.

Next to imports or even more important than imports, is the question of improvement in the procurement machinery. As you know, the Gregory Committee recommended the eventual adoption of a policy of Central foodgrains monopoly but suggested that the Provincial Governments should be left free to formulate their own machinery with this ideal in view. Your province in this respect has gone ahead of most others in so far as it has instituted a graded compulsory levy of foodgrains from the cultivators and accompanied it by a policy of Government monopoly in purchase. Several other Governments, like C.P., and Madras, have also instituted some mea-

sure of compulsory levy while others are thinking of doing so. The Food Department feels that the time has now come for a thorough examination of the position in different provinces and formulation, if necessary, of a central policy regarding procurement which will be applicable throughout the whole of India. They have therefore placed one of their senior officers on special duty to collect data by personal visits, compare the various types of procurement machinery in operation and put forward definite proposals for a central policy on procurement. In the meanwhile, I shall be thankful to have your views on the subject of procurement and in particular your suggestions on the manner in which the experience of the trade could be harnessed in facilitating procurement and guaranteeing quality. I am very anxious to enlist the help of the trade and satisfactorily solve this vexed question of quality and any concrete suggestions which you may make in this respect, would receive my most careful consideration. As regards the fears that you have expressed regarding divergence in policy with respect to different provinces, I can assure you that I entirely share your view that India should be considered as one economic unit for purposes of food distribution during the present emergency. I can also assure you that if any impediments are placed in the way of the Central Government in treating this matter on that basis, I shall have no hesitation in suggesting that the Central Government should be firm and get its all-India policy and programme carried out by the provinces.

You have also referred to the important question of " Grow More Food " and the need for taking more active steps for increasing production in the country and you have stressed the importance of expanding the provision of consumer goods to the cultivating classes and securing a larger and closer association of non-official leaders of thought in attempts for an increased growth of food crops. Most of the suggestions you have made already form a part of Government's policy. Provinces have already been addressed to secure a larger and closer association of non-officials and leaders connected with agriculture in the Grow-More-Food campaign. Practical inducements for growing more food have been offered to agriculturists, such as, revenue remissions in respect of new land brought under cultivation. Rs. 157.41 lakhs in loan and Rs. 16.51 lakhs in grant have been given to the Provinces for the supply of seeds, Rs. 53.51 lakhs in loan and Rs. 27.52 lakhs in grant for cheap manures and fertilizers, and Rs. 41.3 lakhs in loan and Rs. 82.23 lakhs in grant for irrigation and other development facilities during 1943-44 and 1944-45. Problems of long-range policy are also being looked into and concrete proposals for the permanent improvement and expansion of agriculture and the conditions of the farmer are under active consideration of the Government. Government have already given an assurance that the cultivator will not suffer in terms of prices by the growing of more food and Government have implemented this assurance by declaring minimum prices for wheat, jowar and bajra

at which they are prepared to buy any quantity offered for sale of these foodgrains.

As for slaughter of cattle, the Central Government have already issued orders to the Provincial Governments forbidding the slaughter by Army authorities of cattle belonging to certain classified classes. They have also asked the Provincial Governments to take similar action regarding slaughter of cattle at civil slaughter houses and a number of Provincial Governments have already taken action in this connection. I can assure you that the situation regarding the slaughter of cattle is engaging the close attention of the department concerned and further action, if necessary, will be taken to prevent any further impairment in the cattle wealth of the country.

Agricultural Statistics : As regards the question of agricultural statistics, action is being taken by the Governments of Bengal and Bihar for getting reliable statistics of acreage and experiments are in progress for determining more accurately than hitherto the estimated yield of food crops in India; an inter-departmental committee has been set up for the improvement of agricultural statistics and it is expected that as a result of their labour, agricultural statistics in India will soon be on a sounder foundation than hitherto.

Co-ordination : In your Memorandum, you have referred to the importance of consumer goods. As you know, this is a concern not of my department but of the Department of Industries and Civil Supplies. The question of Grow-More-Food and allied measures comes within the purview of the E. H. & L. Department. The question of transport, so vital to the importance of successfully implementing basic plan movements, is under the control of the War Transport Department; while the Finance Department has an active interest in problems relating to fixation of prices. I have felt for a long time the importance of securing some effective measures of co-ordination at a high level among these various departments with a view to successfully implementing an all-India food policy which, as you are aware, touches matters under the purview of all these departments. I am now glad to inform you that a special committee of the Governor-General's Executive Council has been set up with H. E. the Viceroy as Chairman and myself as Deputy President, and composed of H. E. the Commander-in-Chief, and Members for Commerce, Industries and Civil Supplies, War Transport, Finance and E. H. and Lands, whose function will be to secure the necessary measures concerning all these departments which are essential for a successful policy of procurement and distribution of food in India. This Committee has been just set up and I am very hopeful that as a result much more effective co-ordination will be obtained between the departments concerned and that matters like Grow-More-Food, supply of consumer goods, movement of foodgrains and distribution of foodgrains will be more effectively handled than perhaps they have hitherto been.

Bombay's quota: There are also one or two other problems which you have referred to in your Memorandum. One is the question of Bombay's quota. I would like to inform you that we have tried our best to meet Bombay's demands; and as I told you I have recently allotted them an extra quota of 80,000 tons which meets their deficit nearly in full. You must not forget that there are other areas in the country besides Bombay which also require imports and there are some areas in the country which have been allotted a much smaller proportion of the quantities demanded by them than Bombay has been. I assure you that I am full of admiration for the manner in which Bombay has tackled its food problem, more particularly its success in the rationing field, and in the vigour with which it has attempted both to produce and procure more food. At the same time, the Central Government have viewed Bombay's demands with the utmost sympathy and have gone to the maximum extent possible to help the Government of Bombay in implementing their food policy. No better evidence of this can be found than the fact that of the extra imports which we were promised for the quarter ending September, the maximum share, namely, 80,000 tons has been allotted to Bombay. In fact, including this 80,000 tons, Bombay has been allotted in the year 1943-44, 1,000 tons over and above what she was getting as an average annual net imports during the five years ending 1941-42. I trust therefore that you will agree that Bombay has no special cause for grouse in this matter against the Food Department."

Export of Edible Oilseeds: Another point which you mentioned was about the export of edible oilseeds, especially groundnuts. As regards the movements of groundnuts in recent months, these have been mostly from stocks which were purchased during the last crop year when, as you know, we had a big groundnut crop. Government are fully aware of the importance of retention of groundnuts in the country both from the point of view of their food content and the utility of groundnut cake and manurial purposes. They have, therefore, accepted the policy of regarding the domestic requirements of groundnuts as a first charge on the groundnut production of the country. Exports will be permitted only if there is a definite surplus over and above domestic requirements, and even regarding this surplus, it is Government's considered view that exports should be permitted in the form of oil rather than seed so that the groundnut cake will be fully utilised in the country. As regards your apprehension that the next oilseed crop is not likely to be satisfactory, it is too early to make a forecast but I can assure you that if next year's groundnut crop proves to be substantially below the output of this year, it is extremely unlikely that exports in any significant measure will be permitted from this country. I must warn you at the same time that while groundnut is important as an article of food, it is only a supplementary item; and long

and sustained propaganda will be necessary before one can get the country to make as much use as possible of groundnuts as food. You know the difficulties that we experienced in Bombay regarding even the use of a cereal like barley. Similar difficulties are now being experienced in other parts of the country regarding the use of cereals to which the people are not accustomed. Under the circumstances, to get people to make use of groundnut flour is not going to be an easy affair. At the same time, the conversion of groundnut into oil is a matter which depends upon the extent of available crushing capacity. In respect of all these, we are trying our best in respect of the use of groundnut as an article of diet, and we shall not permit the export from the country of any quantity which may usefully be absorbed for our domestic requirements.

Indianisation of the Personnel: Last of all, I should like to deal with your plea for Indianisation. I am in entire agreement with you that persons knowing the customs, traditions and habits of the people can more readily appreciate the requirements of the situation, particularly in the matter of food policy and administration; and during my tenure of office as Food Member, I have faithfully tried to implement this policy. During the last twelve months, a number of Indians of standing and experience have been added to the senior personnel officers of the Department and I am most anxious that their number should be increased. My difficulty has been not want of willingness to recruit Indians to the senior posts in the department but want of co-operation from the commercial community in lending me the services of their able and experienced personnel for employment in the Food Department. As you know, the Food Department requires the services of men having personal experience of commercial and trade practices and unless you gentlemen cooperate with me and help me to obtain persons with the necessary standing and experience from your ranks, it is difficult for me to carry out the policy of Indianisation, on which both you and I lay so much stress. I am aware that a few appointments have been made of Europeans but these have mainly been technical persons and even in their case, the appointments are on a short period contract basis. I am glad you have raised this question, because it gives me an opportunity publicly to ask the heads of commercial firms and business houses in India to make available the services of some of their experienced employees to the Food Department and thus enable us in the Centre to draw upon the accumulated knowledge and experience of the commercial community in tackling the practical details of food administration, especially in the matter of food procurement and distribution.

APPENDIX 88

Supply of Milk*

Letter No. 57(G)(4)|44086-IV, dated 18th January 1944 from Government of Bombay to Chamber.

With reference to your letter No. 3231 dated the 16th December 1943 I am directed to inform you that slaughter of useful cows and bullocks has already been prohibited by a recent Government Order. Orders have also been issued sanctioning subsidy for transporting dry milch animals from Bombay City to breeding areas.

I may further assure your Committee that every effort is already being made to increase the supply of fluid milk in Bombay.

Letter No. 366 dated 16th February 1944 from Chamber to Director of Civil Supplies, Government of Bombay.

I am directed to acknowledge receipt of your letter No. 57(g)(4)/44086-IV dated the 18th January 1944, the contents of which have been noted by my Committee.

While my Committee appreciate the action taken by Government in issuing orders prohibiting the slaughter of " useful cows ", they would like to point out that the term " useful cows " is rather vague and hazy. In order to make the position clear beyond doubt, an actionable definition should be given as to what a useful cow is. My Committee are afraid that unless this is done, the evil which Government themselves are as keen to weed out as my Committee, will persist and cows of young age may continue to be slaughtered as heretofore. My Committee, therefore, suggest that the term ' useful cows ' may be replaced by the words milch cattle and heifers " capable of breeding ". A more satisfactory procedure would be to prescribe an age limit as has been done in the case of bullocks. My Committee had in this connection suggested both to the Central Government and the Government of Bombay that the slaughter of milch cattle and heifers below the age of 15 years should be prohibited by law. It need not be emphasised that in the agricultural economy of the country, the bullock is an integral factor; the same is the case in regard to bullock breeders. Their rearing and protection are indispensable to social welfare and security and as such should be the prime consideration of Government.

My Committee would like to have more detailed information regarding the arrangement for subsidising transport of dry milch cattle from Bombay City to breeding areas. While the experiment is indeed worth a trial they cannot help pointing out that milch cattle are imported into Bombay from distant places such as centres in the Punjab and it may not be practicable to persuade either the original vendors or others in such areas to take dry cattle back for after care. The more practical course would be to provide controlled areas for

* For previous correspondence see Report 1943 p. 406.

grazing in the vicinity of Bombay under the supervision of the Agricultural Department of Government. In this connection, it may be pointed out that after detailed enquiries the Royal Commission on Agriculture in their conclusion, *vide* pp. 672-3 of their Report, averred that the responsibility for initiating measures required to effect this improvement in grazing facilities, etc. rested with Government.

In the last paragraph of Government's letter, it is mentioned that every effort was being made to increase the supply of fluid milk in Bombay. My Committee would like to be furnished with more detailed information as to the particular measures that have been taken or are intended to be taken to increase the supply of milk as referred to.

Letter No. 57(G)|57007|-IV-B, dated 22nd May 1944 from Government of Bombay to Chamber.

With reference to your letter dated the 16th February 1944 I am directed to inform you that the term actually used in the Order prohibiting the slaughter of bullocks and cows is "*cows in milk and cows in calf*" and not 'useful cows'. The question of substituting the wording as suggested in your letter does not, therefore, seem to arise. A copy of the said Order is enclosed for information.

The reduction in the slaughter of buffaloes at Bandra and Kurla slaughter houses is under consideration.

With regard to the arrangement of subsidising transport of dry milch cattle from Bombay City to breeding areas, I am to state that the subsidy to be granted under the scheme is equal to half the cost of transport of dry animals to the breeding area, subject to a maximum of Rs. 5 per head of dry cattle exported and is only to be granted, in those cases where the owner has, during the same month, imported cattle in milk twice the number of dry cattle exported. The Deputy Director of Agriculture (Dairy-Farming), has been entrusted with the administration of the scheme. Government has also sanctioned a scheme of the Bombay Humanitarian League for the establishment of centres for the preservation of about 4,500 useful dry cattle in breeding areas and in Panjarapoles.

Another scheme for the establishment of a farm for the maintenance of about 300 dry cattle in the Palghar taluka of Thana District has also been sanctioned by Government.

Besides this, the Government have leased 498 acres of land to one of the Dairy concerns for dairy farming to send milk to Bombay.

The Government have also pressed the infant and Public Milk Supply Co., Palghar, to increase the milk production of their farms.

It is not easy to increase the supply of the whole milk when the number of milch cattle available for import to Bombay is decreasing. The total production of milk is not keeping pace with the increase in population. Skimmed milk used to form a valuable addition to the milk supplies of Bombay City and was particularly

important in tea-shop trade. Government are endeavouring to secure from abroad imports of skimmed milk powder to supplement the inadequate supply of whole milk, but the prospects of getting any supplies at the moment appear to be uncertain.

Government are aware of the need for providing whole milk for infants. They have approved a scheme under which every infant below 2 should be able to obtain a quarter seer (½lb.) of milk at half the market rate on production of milk card at one of the milk distributing centres in the City. The cost of administration as well as the difference in the cost of selling prices of milk will be borne by Government. The scheme has been entrusted to the Bombay Municipality for execution.

In addition to taking the above steps, Government have adopted measures for making available to cattle-owners, the various constituents of cattle feeds at reasonable prices.

Letter No. 1101 *dated 2nd June* 1944 *from Chamber to Government of Bombay.*

I am directed to acknowledge receipt of your letter No. 57(G)/57007/IV-B of the 22nd instant and to say that the contents of the same have been noted by my Committee.

You refer therein to the following arrangements which have been made by Government in the interests of improving the supply of milk, viz. : (1) subsidising transport of dry cattle, (2) scheme for preserving 4,500 useful dry cattle in breeding areas through the agency of the Humanitarian League, (3) establishment of a farm for maintenance and (5) arrangements for increasing milk production through the Public Milk Supply Company, Palghar. My Committee would like to have detailed information regarding the progress made in regard to these schemes and proposals. They also suggest that a periodical progress report in respect of these schemes and proposals may well be issued from time to time.

Government have further referred that one of the serious difficulties in the way of improving the supply position is that the number of milch cattle available for import to Bombay is decreasing. My Committee would like to know what steps Government have taken or propose to take to remove this difficulty. It would appear that the States and Provincial Government authorities of the areas from which Bombay used to get milch cattle have imposed restrictions on the export of cattle outside their limits. It is necessary for Government to examine this aspect and to represent to the authorities concerned the need for removing or liberalising those restictions with a view to Bombay being enabled to get its full requirements of milch cattle. My Committee would like to be informed of steps taken by Government in this regard.

Letter No. 57(G)/IV-B dated 6th July 1944 from Government of Bombay to Chamber.

With reference to your letter No. 1101, dated the 2nd June 1944, I am directed to state that the delay in reply is regretted.

Several reports of the progress of the schemes have been published in the newspapers from time to time, but a special one will be sent to you as soon as possible and before the end of this month. In the meantime I am to say that the problems referred to by you are receiving the active consideration of Government.

Letter No. 57(G)/IV-C dated 28th July 1944 from Government of Bombay to Chamber.

In continuation of my letter No. 57(G)/IV-B dated the 6th July 1944, I am directed to state that all the schemes mentioned in your letter, dated the 2nd June 1944 are generally speaking progressing satisfactorily. The Bombay Humanitarian League has already started work at Kanjri, Nar, Mehsana and Sidhpur and the condition of the cattle maintained by them is being periodically examined by the Deputy Director of Dairy Farming. Further expansion of the scheme is in progress. The scheme was given publicity among cattle owners of Bombay by distribution of bulletins and circular letters as well as by lectures and visits to stables. A despatch depot is opened at Sonawala's stables, Andheri, where dry cattle are collected, registered and looked after before despatch. About 500 acres of land in Palghar Taluka have been leased to Messrs. Adarsha Dugdhalaya for maintaining a Dairy Farm consisting of both dry and milch cattle.

2. A farm for maintenance of dry cattle has been maintained at Palghar with a capacity of 300 dry cattle, where 234 buffaloes have already been received. The scheme for opening similar farm for maintaining 1,000 dry cattle at Jamner in East Khandesh is under consideration.

3. The Infant and Public Milk Supply Company, Palghar, has increased the daily supply of milk from 600 lbs. to 1,800 lbs.

4. The authorities of the various Indian States and Provinces from which the milch cattle used to be imported to Bombay have been addressed for supplying the usual quota in the past. Where necessary direct contacts have been established by sending an Officer of this Government to negotiate for the required quota of animals.

5. As stated in my previous letter the whole question is being very carefully examined by Government. A special Committee of non-officials has been appointed at the instance of the Standing Committee of the Food Advisory Council.

Letter No. 57(G)/IV-C dated 2nd October 1944 from Government of Bombay to Chamber.

As you are no doubt aware, the milk supply position in the City of Bombay has for some time past been extremely unsatisfactory.

It was with a view to relieving pressure on the inadequate supplies of milk that Government were compelled by notifications under the Defence of India Rules to prohibit the use of milk or milk products (*a*) in the manufacture of ice-cream and Kulfi Malai and later, (*b*) in the preparation of any articles other than tea, coffee, curds, ghee, butter and butter-milk. These restrictions have to some extent released supplies of whole milk for more essential needs. But shortage of milk and consequent high prices have retarded the flow of these supplies to the categories of priority consumers, e.g. infants, school children and expectant and nursing mothers. In fact the Municipal Corporation is finding it difficult to place contracts for milk to meet the full demand indicated by the Milk Ration Cards registered at the various distribution centres. Proposals for securing milk for priority consumers in an organised manner are at present under Government's consideration but it will, in the meantime be of great assistance if you were to endeavour to the maximum possible extent to restrict the use of milk in the preparation even of tea, coffee, curds and butter-milk. Government has no doubt of your co-operation in this matter so vitally affecting the health of the rising generation and would be grateful if you would intimate how much milk would be saved by such measures of economy so that the savings could be diverted to the Milk Distribution Scheme for infants.

Letter No. 2217|2217B dated 3rd November 1944 from Chamber to Government of Bombay.

I am directed to acknowledge the receipt of your letter dated 2nd October 1944, No. 57(G)/IV-C.

My Committee agree that there should be as much economy in the use of milk as possible, with a view to supply the needs of priority consumers, e.g. infants, school children and expectant and nursing mothers. At the same time, they feel bound to point out, in the most specific and emphatic terms, that if this economy in the use of the milk on the part of the consuming public is carried to an abnormal extent, there is going to be a terrible reaction on the health of the people. The vitality of the Indian people is proverbially low, and it has been getting lower and lower during all these war years, on account of the various orders, sometimes indiscriminate, which are issued by Government time after time regarding the rationed food and ration limits. The terrible disaster in Bengal was the result of some of these orders. The restrictions referred to in your letter under reference even with regard to the use of milk for tea, coffee, curds and butter-milk, is not going appreciably to increase the supply of milk for priority consumers, but will lead to a further lowering of the vitality especially of the middle class and the poor people. My Committee have had occasion in the past to draw Government's attention to the inferior quality of the foodstuffs which the people general are at present obliged to eat on account of these foodstuffs being dealt out by Government for rationing purposes. The

Indian people in general have no other article of food or drink even for ordinary toning up purposes than the meagre pittance of milk in tea, coffee, curds, butter-milk. If there is now going to be a restriction put upon the use of spoonfuls of milk even in these articles, the only result will be grievous deterioration of health and a terrible rise in mortality figures because of the lowered vitality. My Committee are, therefore, emphatically of the opinion, and want to urge, that restraint in the use of milk should not mean adoption of measures which will react adversely on the general public health. They, therefore, beg to urge that Government should desist from passing any measures regarding the use of milk in tea, coffee, curds and butter-milk.

My Committee are further of opinion that instead of passing such measures, Government should try their best to increase the production of milk, and this can be done by salvage from premature and indiscriminate slaughter of cattle.

While Government are suggesting the adoption of the measures to restrict the use of milk and even articles of diet in which milk is used to some extent, they are allowing slaughter of milch-cattle to an indiscriminate extent. This is leading, and is going still more to lead in future, to a practical famine of milk, as also to a scarcity of draught cattle for purposes of agriculture and transport. Government have been urging the slogan of " Grow-More-Food "; but unfortunately the present policy of allowing indiscriminate slaughter of milch-cattle and other useful animals is to be continued, there will come a time when it will not be possible to grow any food at all. The Government of India had recently issued orders and the Government of Bombay had also supported some of the measures for protecting milch-cattle; but so far as my Committee are informed, the steps proposed to be taken by Government have ceased to be in active operation.

My Committee are surprised to receive this letter restricting the use of milk in close sequence of your letter No. 57(G)/IV-C, dated 28th July 1944, wherein you assured us that all the schemes and measures mentioned in our letters to you in this regard, particularly our letter of the 2nd June 1944, have been, for the purpose of increasing milk supply to civil population, complied with and that they have been progressing satisfactorily. My Committee find, on information, that the normal population of Bombay require the supply of milk of 55,000 cattle per month. They have been also informed that usually 12 per cent of them get dry. This would bring the figure of dry cattle per month to about 6,000 to 7,000. Unless this number is replenished, there will not be sufficient quantity of milk even for 14 lakhs of people of Bombay in normal times. Since the population in Bombay has been increasing and has gone up over 20 lakhs, more than 7,500 milch-cattle should be required to cover their requirements. To my Committee's information, Government have arranged with the Punjab to import 600 cattle, from Kaira 300 cattle, and from Ahmedabad

District 300 cattle per month, which only makes up 1,200 cattle per month. On account of this deficiency, the milk supply is so scanty and the prices have been soaring up beyond the reach of even middle class people. My Committee further emphasise, therefore, that only by two ways, viz. :(1) by importing more cattle, i.e. about 6,300 cattle from surplus provinces and State per month, and (2) by salvage of cattle from slaughter, capable of bearing calves, the objective can be attained. If all the 6,300 more cattle needed are not immediately available, the number can be abated by the number of salvaged cattle returned on coming to milk again and those saved from indiscriminate slaughter.

My Committee make one more suggestion that the milk supply of Bombay can be increased by taking measures to import whole milk pasteurized, in refrigerating vans, from nearby areas where they are in surplus supply.

We understand that His Majesty's Government and the Government of India are on common ground on the essentiality of encouragement of civil economy for the war front as well and this idea when considering the needs of military and civil population should not be lost sight of.

APPENDIX 89

Supply of Wheat Flour for Biscuit Manufacture

Letter No. 473 dated 1st March 1944 from Chamber to Government of Bombay.

I am directed to address you in regard to the supply of wheat to Messrs. Parle Products Mfg. Co., for the manufacture of biscuits for the use of civilian population. Your attention is invited to the previous correspondence between the Committee of this Chamber and your Department on the same question and particularly to their letter dated 16th June 1943 wherein it was pointed out that if the company was not given a quota of wheat for civilian use they would go out of business in the Bombay market and their clientele secured during several years of effort would be lost to them. A suggestion was also made in the letter under reference that the manufactured biscuits might be rationed on the basis of bread ration as at present existing. In reply Government regretted their inability to issue licences for wheat or its products for industrial purposes.

Since then supplies of wheat for manufacture of biscuits for civilian consumption have been stopped to this company while manufactured biscuits from other parts of the country are freely dumped in Bombay. My Committee fail to understand the position whereunder factories from other provinces can dump their goods in Bombay while a local factory is debarred from catering to a clientele which was secured by much effort. They would have no reason to make this request if imports from other parts of the country of

such manufactured biscuits had been totally prohibited; but this is not the position so far as the supply of biscuits in Bombay City is concerned. My Committee presume that the Parle Products Mfg. Co., were refused quota of wheat for civilian consumption for the express reason that the basis of ration would suffer if consumers of biscuits were allowed to have their requirements in addition to the rationed wheat supplies. But as you will see from the above, this basis of rationing has been disturbed by the free import of biscuits from other parts of the country, while biscuit factories in Bombay have been put out of business since the last one year.

My Committee feel under the circumstances that due consideration should be given to the request of the Parle Products Mfg. Co., for the supply of wheat quota for civilian consumption of manufactured biscuits. If this is not possible, barley flour of 60 per cent extraction should be made available to them instead.

Letter No. 370|58994|I dated 17th March 1944 from Government of Bombay to Chamber.

With reference to your letter of 1st March 1944 on the subject mentioned, I am directed to state that Government has re-examined the question of supply of wheat flour to biscuit factories for manufacturing biscuits in consultation with the Standing Committee of the Food Advisory Council and has come to a decision that no wheat flour should be supplied for this purpose. The question of unrestricted supplies of wheat flour for manufacture of biscuits in other Provinces has, however, been taken up with the Government of India and their reply is awaited.

As regards the request for supply of barley flour of 60 per cent extraction to Messrs. Parle Products for preparing biscuits, it is regretted, it cannot be granted. If finer flour is required by the biscuit factories, Government has no objection if the flour supplied to them is sieved further before its use at their own cost.

Letter No. 370|11747|I dated 18th August 1944 from Government of Bombay to Chamber.

With reference to the correspondence ending with your letter No. 1267, dated the 27th June 1944, on the subject mentioned above, I am directed to inform you that the Government of India has now replied that it is unable to meet the total wheat requirements of the biscuit manufacturing trade in Bombay City, and as it is not possible to meet this demand from local stocks, Government had to adhere to the decision conveyed in this Department letter No. 370/58994-I, dated the 17th March 1944, that no wheat flour can be supplied for this purpose. As regards the question of unrestricted supplies of wheat flour for manufacture of biscuits in other Provinces, I am to state that the Government of India is not prepared to accept the proposal made by this Government, of banning the use of wheat flour for the manufacture of biscuits, on an all-India basis.

APPENDIX 90

Supply of Barley under the Rationing Scheme

Letter No. 322 dated 10th February 1944 from Chamber to Supply Commissioner, Government of Bombay.

The Committee of this Chamber considered, at their meeting held on the 8th inst., the question of supply of barley for rationing purposes. My Committee considered the question from all its aspects, and also from the point of view of treating barley as a substitute food when perhaps the other foods were not sufficiently available. Several leading members, who have experience of the working of the rationing scheme and who are familiar with the general class of consumers, were of opinion that the compulsory distribution of barley with wheat, as at present, is objectionable and causes hardship especially on the poor and middle classes who do not and cannot consume it as food. In the first place, the consumers are forced to take a particular portion of barley side-by-side with their purchases of wheat. Such a compulsion, my Committee feel, is to be deprecated. If Government have not sufficient stocks of wheat, they may give three portions of the wheat ration to the public, but surely they should not compel the consumers to purchase the fourth portion in barley as well. There are also severe complaints received with regard to the quality of barley supply. Even if Government wanted to enforce the purchase of barley, surely, they should see to it that the quality of barley supply is at least sufficiently good for edible purposes. Under the circumstances, my Committee strongly urge that there should be no compulsory distribution for the purchase of barley as at present; the purchase of the fourth portion referred to above should be optional, and the quality of such supply should be good enough for edible purposes.

Letter No. 344|56067-I, dated 28th February 1944 from Government of Bombay to Chamber.

With reference to your letter dated the 10th February 1944, regarding your Committee's objection against the quality of barley and its distribution in conjunction with wheat ration under the present rationing scheme in Bombay and Bombay Suburban District, I am directed to state that Government has on the advice of the Food Advisory Council, decided to make available de-husked barley along with barley in husk through all the authorized retail distributors and to allow the ration card holders to take their choice between the two. It is expected, that this will meet the complaint regarding the quality of barley. As for your suggestion that the purchase of the fourth part of the quantum of the bar-wheat ration in form of barley should be made optional, Government does not consider that any revision of its policy is necessary for the present.

Letter dated 17th March 1944 from Chamber to Government of Bombay.

I am directed to acknowledge the receipt of your letter No. 344/56067-I, dated 28th February 1944. The matter was considered by my Committee at their last meeting. They regret very much that Government have not seen their way to accept the suggestion made by them in their letter of the 10th February that purchase of the fourth part of the quantum of bar-wheat ration in the form of barley should not be made compulsory. Having regard, however, to the intensity of public feeling on this point, they approach Government once again in the matter with a request that the position should be re-examined.

My Committee are, indeed, very anxious that the rationing in Bombay should be deemed successful and satisfactory by the consumers in general. It will be appreciated that, if the arrangements made by Government in regard to the nature, quality and the basis of distribution as between different items are viewed with dissatisfaction by the public at large, the smooth and satisfactory working of the whole scheme will sooner or later be jeopardised. As it happens, the feeling of the consumers at present against the compulsory issue of barley as an item of ration is, to put it mildly, one of extreme resentment, the more so because of the inferior quality of the grain supplied. My Committee, therefore, strongly feel that the decision of Government in regard to the compulsory distribution of barley requires to be reconsidered and modified.

In the first place, the supply of barley at present being distributed is inferior in quality, and has created a great prejudice against barley as such. De-husking alone cannot be expected to improve the quality. If the supply position in regard to other grains is not adequate to meet the requirements, Government should at least endeavour to see that the quality of barley secured is sufficiently good for edible purposes and such as not to create any prejudice in the public mind. Again, barley should be sold at an attractively cheaper rate, so that the poorer classes of people may voluntarily go in for the same and thereby automatically relieve the pressure of demand for the other grains. At any rate, the present provision in regard to the compulsory purchase of the fourth part of the wheat ration in barley should go. Consumers who are prepared to forego this part of the ration should not find themselves forced to buy the same and eventually waste it. In short, the purchase of barley should be made optional, and in order that there may be a natural inducement to go in for a part of the ration in barley, the quality of the stuff supplied should be improved and the price of the same comparatively reduced. It is hoped that Government will be pleased to examine these suggestions sympathetically and to bring about the necessary modifications in the rationing arrangements accordingly.

Letter No. 344|61283-I dated 28th March 1944 from Government of Bombay to Chamber.

With reference to the correspondence ending with your letter dated 17th March 1944, on the subject mentioned above, I am directed to inform you that on the recommendations of the Food Advisory Council Government has now decided that from 2nd April 1944, ration card holders in Bombay City and Bombay Suburban Districts who wish to take wheat only against their bar-wheat ration might do so to the extent of the wheat part of the bar-wheat ration provided no other cereals are taken in place of the barley not so drawn.

Letter No. 644 dated 8th April 1944 from Chamber to Government of Bombay.

I am directed to acknowledge the receipt of your letter of the 28th March 1944, No. 344/61283-I. My Committee appreciate, with thanks, that Government have decided that from the 2nd instant ration card holders in Bombay and Bombay Suburban Districts, who wish to take only wheat against their bar-wheat ration, might do so, to the extent of the wheat part of the said ration, provided no other cereals are taken in place of the barley so dropped. While this decision has to be welcomed, my Committee may be allowed to point out that there is still a lacuna left. If people do not draw their ration in barley and are not allowed to substitute any other cereal in its place, it means that the ration card holders will have to put up with so much less of cereals. My Committee, therefore, suggest that a ration card holder may be allowed, at the option of Government, to take one of the following cereals in place of the barley :— Wheat, rice, bajri or jowar.

It is hoped that this suggestion will be accepted by Government and steps taken accordingly.

Letter No. 344|64747|I dated 17th April 1944 from Government of Bombay to Chamber.

With reference to your letter No. 644 dated the 6th April 1944, I am directed to state that the Government regrets its inability to accept your Committee's suggestion that ration card holders be allowed to draw the fourth part of the quarter of the bar-wheat ration in the form of any other cereal.

APPENDIX 91

Fire Explosion at Bombay Docks

Telegram dated 19th April 1944 from Chamber to Commerce Department, Government of India.

" Committee Indian Merchants' Chamber consider it their duty to bring to the notice of the Government of India the deep and widespread feeling of anxiety and apprehension in the mind of the

public caused by the recent explosions in the docks and fire in the docks and outside resulting in huge loss of life and property, seriously dislocating trade and commerce and rendering a large number of people homeless and unemployed. Prompt and praiseworthy as has been the action of the Citizen's Emergency Committee for organising immediate relief measures for those who are poor and those who are rendered homeless, etc. as a result of recent explosions, Committee cannot emphasise too strongly the primary duty and great responsibility of the Government of India in this matter to provide immediate relief, or shelter, food and clothing to those who have suffered owing to explosions and the fires that followed in their wake. Docks have been seriously damaged, godowns and warehouses have been gutted, huge quantities of cargo and stores have been reduced to ashes, houses have been burnt and destroyed and several people in the affected area have lost their lives and have gone out of employment. These unprecedented losses of men, materials and property have been due to the explosions and their consequence resulting from the activities of the Government of India in the Dock and it has been recognised that whenever the people suffered from such disasters under such circumstances it is the duty and the responsibility of the State to take immediate steps for repairing the damages, for restoring and reconstructing the property, for taking all such measures for providing all such facilities and for giving all such priorities as may be considered necessary for enabling the trade and commerce to function once again in the same normal manner in which it might have been functioning before the disaster, and it is also their duty and responsibility, as emphasised by the Sheriff as the President of the Citizen's Meeting, to see that full and proper compensation is paid to the parties affected as a result of recent calamity that befell this city. Committee therefore urge upon the Government of India, in all earnestness, that they should recognise their grave responsibility in this matter to the people of the country and announce without any further delay the immediate steps that they propose to take for restoring and reconstructing the damaged areas and losses that have occurred and for assisting and enabling the trade and commerce to resume their normal activities in the same manner as before the disaster. Committee are of the considered opinion that with a view to allay public anxiety and restore confidence the Government of India should immediately institute an impartial and independent inquiry as to the causes and circumstances which led to the recent explosions in the docks and should associate with that inquiry non-official Indians enjoying the confidence of the people in the country. This should be done forthwith so that the inquiry may have the benefit of all evidence that may be available. Moreover both for the purpose of ensuring the even and continuous flow of war effort as well as for the purpose of restoring confidence and for enabling the people to carry on work under normal conditions and with fullest vigour, Committee have no doubt that the Government of India would recognise the necessity of giving an immediate and categorical

assurance to the general public that they would take all necessary precautions and institute all necessary measures which will prevent the recurrence of any such explosions in the future in the docks or near centres of business activities. Committee would, therefore, earnestly appeal to the Government to give their serious and immediate attention to all aspects of their responsibility arising from recent disaster as mentioned above and be pleased to announce forthwith the measures that they propose to adopt for providing relief in all directions and for restoring confidence as well as for preventing recurrence of such disasters in the future."

Telegram dated 17th May 1944 from Chamber to the Private Secretary to the Viceroy.

Committee Indian Merchants' Chamber consider it their duty to bring once again to the notice of His Excellency the Viceroy the feeling of anxiety and nervousness in the mind of the public as the Government of India have not announced their decision to pay full compensation for loss of life, property and goods resulting from the decent disaster although nearly five weeks have elapsed. As Committee have pointed out before it is essential that Government announce their decision to the above effect without any more delay to prevent development of a crisis. Statements that have appeared recently in the press that Government contemplate payment of only 70 per cent of losses and that too in connection only with those covered by insurance have surprised Committee and seriously perturbed commercial community. Committee again strongly urge upon Government to make forthwith a clear statement that they would pay full cent per cent compensation for all losses to life, property and goods inside or outside the docks whether insured or not.

Telegram dated 2nd June 1944 from Chamber to the Private Secretary to the Viceroy.

Please place the following telegram before His Excellency the Viceroy. Committee Indian Merchants' Chamber are grateful to His Excellency the Viceroy and the Government of India for accepting the principle of Government's responsibility for payment of compensation in respect of losses resulting from the explosion and fires in Bombay.

They have examined the provisions of the communique issued by Government on 30th May embodying details of the scheme on the basis of which compensation is to be paid. They would in this connection like to make the following suggestions for the kind consideration of His Excellency. Firstly they wish to emphasise that Government should pay full cent per cent compensation in respect of all losses of property moveable and immoveable goods household and personal effects stock in trade and merchandise without any distinction as between losses covered or not covered by insurance. Committee take it that reference to property in sub-paras A and B of

para three of the scheme includes both moveable and immoveable property.

Referring to para three C it is proposed that for uninsured immoveable property compensation should be paid to the extent of seventy five per cent only on the basis of 1939 value Committee stress that full cent per cent should be paid. They are also unable to see the justification for basing the compensation on March 1939 value and urge that the same should be on the basis of the value on the date of the damage. If it is argued that Government are paying full compensation for insured property because of the contribution of twelve and a half per cent made by insurance companies there is at any rate no justification for paying less than eighty seven and a half per cent for uninsured property on the analogy of the basis adopted for damage to uncovered property by blast. In short if Government are unable to agree to cent per cent compensation and if they finally decide that their share will only be eighty seven and a half per cent payment on that basis should be made in respect of all losses whether insured or uninsured.

Committee have heard it suggested that a difference in the basis for compensation as between insured and uninsured has been kept with a view to make people insurance minded and with a view to ensure that in future they take the precaution of covering against ordinary risks. Committee hope that this suggestion is unfounded for they strongly feel that the stakes involved are far too large and that therefore this is neither the time nor the occasion for any such propaganda effort.

Referring to para three C sub-para (2) Committee urge that the limit for compensation in respect of household and personal effects should be increased to rupees ten thousand and that cent per cent compensation should be paid on the first five thousand rupees. Committee presume that personal effects will include jewellery belonging to the persons of the household.

Committee find the provisions in sub-para (4) of para three C regarding stock in trade and merchandise extremely unsatisfactory. It would mean that whatever the extent of the loss no compensation over fifteen thousand rupees will be payable in the case of all such uninsured stock in trade and merchandise. It is significant to point out that there are many articles such as metal wares, China clay, iron wares, pipes and fittings for which insurance is normally not necessary. Some of these articles are also exempted by Government for purposes of war risk insurance. Just because such goods which from their very nature do not require normally to be insured are not covered Government are penalising them by limiting compensation to a maximum of fifteen thousand rupees. Committee submit that this is very unfair and in their opinion compensation should be paid without any such limit on the basis of cent per cent compensation on the first five thousand rupees and at eighty seven and a half per cent on the balance. Incidentally it may be mentioned

that it would appear that such stock in trade and merchandise even if insured for purposes of war risk which is compulsory if not accompanied by insurance for fire compensation will be limited to the maximum of fifteen thousand rupees. The provisions in this subpara are extremely unsatisfactory and Committee strongly urge that the same should be modified on lines indicated above. It is mentioned that bullion articles made of precious metals and stones including jewellery, curios and antics be excluded from the scope of the compensation. Committee presume that loss of articles of the above description which were held as stock in trade and merchandise by a merchant or a trading concern will not be excluded and that compensation will be paid for the same. They also take it that gold, bullion or jewellery kept by a craftsman like a gold or silver smith for purposes of his profession and trade will be deemed as eligible for compensation.

Regarding procedure for submission and settlement of claims Committee submit that having regard to the very nature of the circumstances connected with these losses rules of strict evidence should not be enforced and that claims should be passed with expedition and without undue formality. It is also essential for allaying public anxiety that Government should give a clear assurance that they will recognise their duty and responsibility of making good losses in the future as they have done now if God forbid any such disaster recurs or in the alternative they should evolve a scheme under which it will be possible for the public to insure against such risks. Committee earnestly request that His Excellency the Viceroy will be pleased to give his sympathetic consideration to the foregoing suggestions and to bring about suitable modifications in the scheme in question.

Telegram dated 14th June 1944 from Chamber to the Private Secretary to the Viceroy.

" Please place the following telegram before His Excellency the Viceroy. Committee Indian Merchants' Chamber sent a telegram on 2nd June to His Excellency pointing out essential factors which were omitted from the scheme of compensation regarding explosion losses announced in Government communique issued on 30th May and urging necessary modifications in the same in the light thereof without which same could not be considered either in consonance with the responsibility of the State or even just and equitable to meet the serious situation created by the disaster. Committee are anxiously awaiting Government announcement authorising sanction of such modifications. Meanwhile, Committee wish in particular to draw His Excellency's special attention to the following important directions in which modifications are imperative if scheme is not to involve any serious injustice to those affected. In the first place there should be no distinction between uninsured immoveable property and uninsured moveable property such as stock in trade, merchandise, cargoes in transit, sheds, dock or on ships. The same basis of compensation should be adopted for both the above types of losses whether of

moveable or immoveable property. If in spite of Committee's representations compensation for uninsured immoveable property is not fixed at cent per cent but is finally fixed at 75 per cent, compensation for stock in trade, merchandise and cargoes in transit sheds, dock and on ships should also be not less than 75 per cent without any limitation as to maximum amount payable. Committee find that there is no provision in the scheme for compensation for losses not covered by Marine Insurance policies just as there is provision for payment of losses not covered by Fire Insurance policies. This omission it is essential should be rectified and losses not covered by Marine Insurance policies should be paid on the same basis as losses not covered by Fire Insurance policies as referred to above. Committee consider modifications on the above lines are absolutely essential if Government scheme is not to involve serious injustice to a large number of affected people and Committee therefore earnestly urge that His Excellency will be pleased to give his very best and sympathetic consideration to this serious omission in the scheme which Committee regard as of vital importance."

Letter No. 1946 dated 25th September 1944 from Chamber to Commerce Member, Government of India.

You will, no doubt, recollect that at the interview which the Committee of the Chamber had with you on the 12th September 1944, your attention was drawn to certain fundamental omissions and defects in the scheme of compensation as adumbrated in the Ordinance issued by the Government of India on the 1st July 1944. You were good enough to suggest that the Committee of the Chamber might well send to you in writing their views and suggestions in that regard and that you would, on receipt of the same, examine the position. Accordingly, I am desired to send to you hereby their proposals regarding directions in which the scheme of compensation requires fundamental modifications in order to ensure that the scheme recompenses all those who have suffered losses for no fault of theirs.

2. The fundamental basis of the compensation scheme seems to be that those who have insured their property wholly or partially are to be treated more liberally than those who have not insured their property and goods. My Committee fail to appreciate this radical distinction in the treatment given to these two different sets of people. My Committee would like to add that explosion losses are not normally covered by Insurance and they do not, therefore, see any justification for linking the scheme for compensation with the existence or otherwise of insurance over the property and goods lost or damaged. My Committee do not think that there could be any intention on the part of the Government to utilise the occasion of the misfortunes of the people for teaching them the importance of insuring their goods and property. It is to be remembered that the calamity which befell the city was unprecedented. It was due to the action taken under the orders of the Government for bringing explosives within the dock area. It cannot, therefore, be

denied that the people can only look to the State to make good the losses that they have suffered as a result of the circumstances for which the State was responsible. My Committee would, therefore, urge upon you, in all earnestness, the necessity of revising the Ordinance in such a manner as would ensure fair and equal treatment to all those who have suffered as a result of the explosion, whether they had insured their goods and property or whether they had not insured the same.

3. My Committee would like to bring to your special notice, in this connection, the disclosures and findings in the first report of the Commission of Enquiry which has dealt with the origin, nature, causes and circumstances connected with this catastrophe and the inadequacy of action taken before and during the disaster. Apart from the sins of omission and commission on the part of several authorities concerned in this matter, my Committee are amazed to note that even the elementary precautions, which were laid down under the rules, were not taken. For instance, it was obligatory on the ship to hoist certain signals under the rules of the Bombay Port Trust as well as under the International arrangement which would intimate to the public that the ship in question carried explosives. Neither were such signals hoisted before the fire nor were they put up even after the fire broke out. Certain obligations are imposed under the Port Trust rules to ensure that no smoking takes place within the dock area. These rules were not enforced. It is the duty of the Dock police, particularly in the absence of a mechanical alarm system, to inform ships lying in the dock and the personnel working in the dock or visiting the dock of the danger, to which they were exposed, as a result of the fire on the ship carrying explosives. These duties were not performed by the Dock police. The obligation to give intimation to the people in the dock of the coming danger and of the explosion was not carried out. As stated by the Commission, even at the later stage of the fire, when it was apparent that the disaster was inevitable, " it occurred to no one to adopt the elementary but recognised expedient of sounding continuously blasts on ship's own siren ". The Commission added that " no one had had the foresight to send for a police loud speaker or even to operate a ship's megaphone " for informing the public in the dock of what was taking place and what grave disaster was in store for them. My Committee feel sure that it will be recognised that this inadequacy of action both before and during the fire only added to the gravity of the action of Government bringing explosives within the dock area and seriously increased their responsibility to make good the losses which the people have suffered as a result of the recent disaster. The circumstances, mentioned above, therefore, further justify the demand of the commercial community that equal and uniform treatment should be given to all who have suffered as a result of the fires and explosion, whether they had insured their goods and property or not.

4. Immediately after the publication of the Government communique dated the 30th May 1944 embodying the main features of the compensation scheme, my Committee sent a telegram to His Excellency the Viceroy indicating the directions in which the scheme required to be modified. I am desired to send to you herewith a copy of that telegram for your information and necessary action.

5. Before referring to some of the fundamental omissions mentioned in the telegram referred to above, my Committee would like to refer to a very significant provision in the Ordinance, which undoubtedly strongly supports the demand, made by those who have suffered, that equal and uniform treatment should be given to them in the matter of compensation under the Compensation Scheme, whether they have insured their property or not. Section 18 of the Explosion (Compensation) Ordinance debars every one who has a cause of action for compensation or damages, in connection with or arising out of the recent fires and explosions, from filing a suit against the Crown or the Trustees of the Port of Bombay or the Municipal Corporation of the City of Bombay, etc. My Committee are advised that having regard to the circumstances in connection with the explosions and the losses resulting therefrom, the parties concerned would have normally established a right for compensation in many cases against the Port Trust. Moreover, the revelations made in the report of the Stone Commission leave no doubt in the mind of my Committee that the aggrieved parties could have established their claims successfully against the Port Trust. My Committee, therefore, hope that you will be pleased to agree with them that it is neither just nor equitable to prevent on the one hand the people who have suffered during the recent disaster from taking legal action for the redress of their grievances, and on the other hand to treat those of them who have not insured their goods and property in a discriminatory manner as compared to those who have insured the same. My Committee would, therefore, strongly urge upon you to use your influence and good offices with the Government of India for such a modification of the scheme of compensation as will secure a uniform treatment for all who have suffered losses as a result of the recent disaster.

6. The telegram sent to the Viceroy, a copy of which is sent herewith, as mentioned above, embodies some of the important omissions in the scheme of compensation and refers also to the injustice that would result from the scheme of compensation as it stands. My Committee would like to refer to some of them in this communication.

7. Goods which are to be shipped and which are lying in transit sheds or docks awaiting shipment are generally covered under marine insurance policies after they are actually shipped. They will not be insured till then. Loss or damage to such goods will fall under the category of uninsured goods. My Committee hope that you will appreciate their contention that if the maximum compensation to be paid for such goods will not exceed Rs. 15,000 in any

case, it will involve several people into very serious losses. This injustice should be rectified.

8. Further, certain classes of goods again are normally not insured goods such as metalware, china clay, ironware, pipes, fittings, etc. It does not require any argument to show that to ignore the payment of full compensation for the loss of these goods, on the ground that they were not insured, is not only unfair and unjust to their owners, but is also equivalent to penalise them for not doing what they would not do under normal times. My Committee, therefore, consider it essential that full compensation should be paid in their case.

9. Section 17 of the Ordinance lays down that no compensation shall be payable for explosion damage to bullion, all articles made of precious metals or precious or semi-precious stones, curios and antiques. Such articles usually represent the life saving of the middle-class people. They generally represent the *Streedhan* of women of this country. It is well-known that women and specially widows usually depend on their *Streedhan*. Moreover, bullion, jewellery, etc., are also kept for the purpose of trade. If no compensation is to be paid for the loss of these articles, as a result of explosion, my Committee submit that several people will be hard hit and the poor and middle-class ladies and particularly widows, will suffer and suffer terribly.

10. My Committee have to bring to your notice the fact that no compensation under Clause 17 of the Ordinance will be paid for currency notes, bank notes and coins. They have also to bring to your notice, in this connection, an important practice of the trade. Hundies are paid not within the banking hours. These are often paid after banking hours. Indian merchants have, therefore, to keep compulsorily currency notes, bank notes and coins in hand for the honouring of these bills. Moreover, middle-class and particularly poor people who have not been able to enjoy the banking facilities and who may not get the necessary credit facilities from banks, have often to keep liquid cash with them for discharging their obligations. They have, therefore, to keep currency notes and coins with them for this purpose. Moreover, my Committee hope that you will appreciate the fact that the explosion was so sudden that it was impossible for many of these people to remove their bullion or articles of precious metals or currency notes, etc., as they had to fly for their very life. To exclude compensation for such losses, under the compensation scheme, is to hit the poor people very hard and my Committee have no doubt that it is the intention of the Government to see that the poor people are fully compensated. It is, therefore, of supreme importance that these grievances should receive the most sympathetic consideration of the Government and my Committee will feel grateful to you, if you will use your influence with the Government and get the scheme

so modified that full justice may be done in the cases mentioned above.

11. As the Ordinance stands today, people will not get more than Rs. 5,000 for the loss of household and personal effects if they were uninsured. In the same manner, merchants will not get more than Rs. 15,000 for the loss of stock-in-trade and merchandise, if they were uninsured. A large number of middle-class people has suffered as a result of fires. They have lost their all. It is, therefore, desirable that their claim should be met in full. Moreover, if merchants are to get as the maximum not more than the sum of Rs. 15,000 under the scheme for the loss of their stock-in-trade and merchandise, it is not difficult to imagine how it will disable them from restarting their business operations. This will be a very serious hardship to them. It will create a serious position for many middle-class families and for merchants with smaller resources. With a view, therefore, to bring the much-needed relief to a large number of people affected by the recent disaster, it is essential that the Government should modify the scheme of compensation and my Committee have to request you to do all you can in requesting the Government to do so.

12. The only sure and practical way of making the scheme equitable and fair to all is to remove the differentiation as between the insured and uninsured losses and to make the actual loss on the date of the disaster the main test for compensation, so that, in the result, all those who have lost will be compensated to the extent of their losses.

13. My Committee will, therefore, feel grateful to you if you will be pleased to give this matter your personal and sympathetic consideration and get the scheme of compensation so modified as will secure full justice to all who have suffered in connection with matters referred to in this communication.

Telegram dated 22nd December 1944 from Chamber to Commerce Member, Government of India.

Committee Indian Merchants Chamber had submitted to you on 25th September last a detailed representation indicating direction in which the scheme of compensation in respect of Bombay explosion losses required to be modified. Similarly the Bombay Grain Merchants' Association on behalf of the grain and several other trades in the locality affected by the explosion had also addressed your goodself on 10th September almost on the same lines. They had in particular urged that the differentiation in the basis of compensation as between insured, non-insured and under-insured goods, etc. should be eliminated that the limits prescribed for payment of compensation in respect of personal effects and stock-in-trade were extremely inadequate and required to be liberalised that cases of default under insurance or non-insurance in respect of war risk should be viewed sympathetically and payment of claims should not be unduly

delayed or withheld on that account and that various other adjustments and changes of a minor character were necessary in order that the scheme might not involve hardship to a large section of people affected. Committee regret that so far no action seems to have been taken by Government on these suggestions. This has led to an accentuation in the feeling of concern among those affected and Committee are receiving repeated representations requesting them to urge Government to expedite their decision and announce the modifications in the scheme as suggested. Committee, therefore, respectfully request your intercession in the matter with a view to an early announcement being made by Government in that behalf.

APPENDIX 92

Requisitioning of affected Areas

Telegram dated 25th April 1944 from Chamber to the Private Secretary to the Viceroy, New Delhi.

Committee Indian Merchants' Chamber understand from reliable quarters as well as are informed by some of their member-bodies that the area affected by the recent disaster and lying between Carnac Bunder and Wadi Bunder is proposed to be requisitioned by the military authorities. This area is the centre of the largest number of business and brisk activities in the City and has been occupied for the last sixty years by such important trades amongst others by grain and seeds, rice and iron and instead of enabling all these trades to reconstruct and rehabilitate their normal activities so essential for the economic well being of the City if this area is allowed to be taken up for military purposes it will in addition to seriously dislocating and disorganising all these trades tremendously aggravate the distress prevailing in the City. Committee, therefore, appeal to His Excellency the Viceroy to be pleased to take immediate steps particularly because they are told that the proposal is being considered by responsible authorities in Bombay tomorrow and to prevail upon the military not to proceed with this proposal but leave the area in question to the trades which have worked there over half a century.

Letter No. 378-TS|44 dated 29th April 1944 from War Transport Department to Chamber.

I am directed to refer to your telegram dated the 25th April 1944 to the Private Secretary to His Excellency the Viceroy and to state that there is no proposal under consideration that the Military authorities should take over the Elphinstone Estate at Bombay.

Letter No. W1275 dated 3rd May 1944 from Bombay Port Trust to Chamber.

With reference to your letter dated 25th April 1944 enclosing a copy of a telegram to the Private Secretary to H. E. the Viceroy regarding the rumour that it was proposed by the Military authorties to requisition the area between Carnac Bunder and Wadi

Bunder, I am directed to state that there is no foundation for the rumour. The Military authorities have asked for about 30,000 square yards of storage accommodation in the Elphinstone Estate or elsewhere, and this application will be dealt with by the Trustees in the usual manner. I am to add that the Port Trust lessees in this area may proceed with the repair or reconstruction of the damaged buildings in accordance with the terms of their leases with the Port Trust.

Letter No. 866 dated 8th May 1944 from Chamber to Port Trust, Bombay.

I am directed by my Committee to acknowledge the receipt of your letter No. W-1275 of the 3rd inst., and have to thank you for the information given therein that the Military authorities have asked for about 30,000 square yards of storage accommodation in the Elphinstone Estate or elsewhere. My Committee also note that this application on the part of the Military will be dealt with by the Trustees in the usual manner. My Committee, however, consider it advisable that the Military should carry on their activities neither on the Elphinstone Estate nor elsewhere in the dock area nor on the lands belonging to the Port Trust which are in the vicinity of centres of trade and business activity. My Committee have, therefore, to strongly request the Trustees not to lease out any land of the Trust either on the docks or outside in the affected area, and if the same is proposed to be requisitioned by the Military, my Committee would feel thankful if the Trustees would use their influence with the Military for persuading them not to requisition the same or take the necessary steps that they might consider proper for not allowing the Military to acquire that land.

APPENDIX 93

Correspondence with the Port Trust

Letter No. 713 dated 19th April 1944 from Chamber to Bombay Port Trust.

I am directed by my Committee to inform you that they are deeply grieved and shocked to learn the sad news of the unprecedented loss of life and property, caused by the recent explosions in the docks. They cannot, however, understand how and why the Port Trust authorities could have allowed ships carrying explosives to be brought into the docks, because they are under the impression that the Port Trust was under an obligation not to allow ships carrying explosives to come into the docks. Moreover, if the Port Trust had to depart from their statutory obligation in this matter and to allow ships carrying explosives to be berthed in the docks, it will be recognised that it was both their legal and moral duty to inform the public of their decision to do so. So far as my Committee are aware, no warning has ever been given to the public in general and to the commercial community in particular by the Port Trust authorities in this matter which would vitally affect both their life and property. My Committee have, therefore, to request

you to let them know why the ships carrying explosives were allowed to be brought within the docks and the circumstances under which they were allowed to come within the prohibited area. My Committee would also feel thankful if you will kindly intimate to them as to why no intimation or warning was given to the public and to the commercial community in connection with this vital and important departure made by them in the working of the docks.

There is another important and vital question, to which my Committee would like to invite your very earnest and immediate attention. As colossal loss, both of human life and of private property, has been entirely due to the recent explosions caused by the action of the Port Trust in departing from their recognised obligation of not allowing ships carrying explosives to come into the docks, my Committee are of the opinion that it is the bounden duty of the Port Trust to pay full compensation to the dependents of those who have lost their lives and to those who have suffered by loss of their property and goods. My Committee will feel grateful to the Trust if they will be good enough to let them know as to how they propose to make good this loss.

There is a deep and widespread feeling of intense anxiety and apprehension in the mind of the public as to what would happen if there is a recurrence of such explosions in the docks in the future. My Committee would, therefore, most earnestly urge upon the Port Trust authorities to take prompt steps for giving a definite and categorical assurance to the public that no ships containing explosives will be allowed to come into the dock area and that all proper and effective steps would be taken for preventing such explosions in the port in the future.

My Committee will feel grateful to the Trustees if they will be pleased to favour them with an early reply on the various vital issues raised in this communication seriously affecting the activities and life and property of the people in this City.

Letter No. W1599 dated 24th May 1944 from Bombay Port Trust to Chamber.

I am directed by the Board of Trustees of the Port of Bombay to acknowledge receipt of your Secretary's letter No. 713 of the 19th of April 1944 regarding the recent disaster.

2. Since the Board is unable to endorse the statements contained in your letter in regard to legal liability, the Trustees are anxious that I should make it clear at the outset of this reply that they share to the full the distress which you feel at the sad loss of life and the serious material damage which has occurred.

3. As regards the question of liability you will appreciate that in the absence of a judicial decision in the matter and having regard to the fact that the Board disposes only of public funds, the Trustees are not in a position to offer compensation in the manner suggested by you.

4. You appear to be under the impression that the Port Trust is subject to some statutory obligation not to allow vessels carrying explosives to enter the docks. I am to explain that this is not the case and that the Bombay Port Trust does not deal specifically with the handling of explosives. The Trustees themselves issued certain By-laws imposing restrictions on such traffic, but these were superseded, as regards all Government cargo, by a Government of India Notification issued in November 1939. The Notification was published in the *Government Gazette* in the usual course but the Trustees will in future endeavour to give such further publicity as is possible with the permission of the Government.

5. I am to assure you that the question of preventing a recurrence of disasters is receiving the very closest and most earnest attention of the Trustees and that everything possible has been and will be done in this direction.

Letter No. 1098 *dated* 1*st June* 1944 *from Chamber to Bombay Port Trust.*

I am directed by my Committee to acknowledge receipt of your letter No. W1599 of the 24th instant. Government have now announced their scheme for payment of compensation in respect of losses suffered as a result of the recent explosion. My Committee, however, have no doubt that the Trustees do recognise their responsibility and liability to the third parties in bringing explosives and other inflammable material on their own premises.

My Committee note that the Trustees themselves had issued certain By-laws imposing restrictions whereby vessels carrying explosives were not allowed to enter into the docks. They learn, however, from your letter that these By-laws were superseded by a notification issued by the Government in 1939. My Committee further note that in the future the Trustees would endeavour to give much further publicity in the matter of the abrogation of such By-laws as would be possible with the permission of the Government. My Committee would, however, request the Trustees to recognise that unless specific notices are given in this matter, the trade and commerce would hardly realise the dangers to which they are exposed by the conduct of the Trustees in regard to explosives, etc., being allowed to be carried in the docks.

It is not necessary to add that this is really a very serious matter and caused grave concern to the commercial community. For instance, if commercial cargo and explosives are allowed to be discharged in the docks together or are allowed to be stored in the docks near each other, it will be realised to what a serious danger the commercial cargo is exposed while it will be lying in the vicinity of such inflammable material. The insurance companies do not cover the risk to which such commercial cargo would be thus exposed. The Trustees do not recognise their liability to make good the losses which the third parties might sustain as a result of their own conduct. My Committee feel sure that the Trustees realise that

the prosperity of the Port depends on the prosperity of trade, commerce and industry of the City. It is not difficult to imagine how the trade, commerce and industry would suffer if people owning the commercial cargo are put in such a position as they might not receive any payment for the losses which they might sustain under the circumstances mentioned above by the loss or damage to their cargo in the docks. My Committee, would, therefore, request the Trustees to let them know whether the dock By-laws which were abrogated have been restored and reinstated and my Committee would be grateful if the Trustees were to assure them that they have taken and would take all necessary steps to see that commercial cargo and explosives are never allowed to be stored or lie near each other and that all explosives and inflammable cargo stored far away not only from commercial cargo but from centres where trade and commercial activities are being carried on.

With reference to the last paragraph of your letter, my Committee will be obliged if you will be good enough to let them know what steps the Trustees have taken to prevent the recurrences of the disaster which took place last month.

APPENDIX 94

Restrictions imposed by Rule 45-B of the Defence of India Rules in connection with the Chamber's Representatives on the Board of the Bombay Port Trust

Telegram dated 10th May 1944 from Chamber to War Transport Department, Government of India.

Committee Indian Merchants' Chamber are informed by their representatives on Port Trust that they are prevented under Defence of India Rule 45B from communicating to them either the Agenda Minutes of Meetings Administrative Report or other documents or reports relating to the operation of trust or any decisions taken by the trust or any information given to them as trustees. Our representatives are on board not in their individual capacity but as our representatives. Imposing an obligation on them whereby they cannot communicate anything in regard to the activities of the trust to the Committee and are prevented from seeking their advice and guidance in connection with matters coming up before the trust it will be appreciated frustrates and nullifies the very object of giving Chamber representation on Board. Very important matters affecting trade, commerce and industry the interests of which this Chamber represents come up for consideration before the trust. Committee therefore have no doubt that you will recognise that imposition of restrictions as laid down in 45B on their representatives will practically mean the denial of the right to the Chamber to submit its views in connection with such matters before the trust for which representation has been given to the Chamber on the Board. Commercial community seriously perturbed by recent disaster and it is but right

that they should know what part Port Trust played in connection with several issues arising out of these explosions both as precautionary measures before such explosions and precautionary measures, etc. after these explosions. Committee naturally looked to their representatives to give them proper information on the subject so that they might give them their guidance and advice. Their representatives while fully recognising their obligations to the Chamber as its representatives felt helpless owing to restrictions imposed under Rule 45B and could not tell the Committee anything in regard to these matters. Committee therefore most earnestly urge upon the Government the urgent and immediate necessity of so modifying Rule 45B of the Defence of India Rules as will enable their representatives to communicate such information decisions and other matters in connection with the activities of the Port Trust to the Committee as might be considered desirable for protecting and promoting the interests of trade, commerce and industry and will also enable them to obtain the advice and guidance of the Committee in connection with all such matters coming up before the Trust. Committee will feel obliged if Government will be pleased to take immediate action and remove the existing restrictions imposed by Rule 45B because the continuation of such restrictions in such vital matters affecting trade, commerce and industry has only deepened the public anxiety and concern as to what would happen in the future. Committee will therefore feel grateful if prompt action is taken for removing existing restrictions under Rule 45B and the Committee are informed that the Government have taken the necessary action to do so.

Letter No. 8-P(35)|44 dated 25th May 1944 from War Transport Department to Chamber.

I am directed to refer to your telegram of the 10th May requesting the removal of the existing restrictions imposed by Defence of India Rule 45B and to say that, as the Chamber is probably aware, the object of this rule is to prevent the enemy getting valuable information. The rule has been in force for a long time and the restrictions imposed by it, necessary as they are to subserve a fundamental object, have been willingly accepted by the commercial community all over India.

Government are of opinion that the Bombay explosions do not justify any departure from their accepted policy. A Commission of Inquiry has been set up to inquire into and report on the causes of fire and explosions and into the adequacy of the action taken before, during and after the disaster, and the report of the Commission, except such parts the disclosure of which in the opinion of the Commission would be detrimental to the public interest or the successful prosecution of the war, will be published for general information. In addition, a small Committee of experts will be sent round to all the major ports to inquire into local dispositions and instructions and to examine the precautions taken during the discharge of dangerous

cargoes. In the circumstances, Government regret that they cannot see their way to remove the restrictions imposed by Rule 45B of the Defence of India Rules.

Letter 1206 dated 17th June 1944 from Chamber to War Transport Department.

I am directed by the Committee of this Chamber to acknowledge the receipt of your letter No. 8-P(35)/44 dated New Delhi, 25th May 1944 and to state that they are deeply disappointed at the attitude of the Government revealed therein in regard to the request made by the Committee in their telegram to you of the 10th May.

Your letter states that the Rule 45B of the Defence of India Rules has been in force for a long time and the restrictions imposed by that rule have been willingly accepted by the commercial community all over India. My Committee feel it necessary to point out to you, that so far as they are aware, the commercial community was never consulted in regard to Rule 45B and consequently the commercial community never got an opportunity to submit their views to the Government in regard to the same. It is true, that the Government of India issue a number of rules, from time to time, under certain notifications, but my Committee are constrained to observe that the mere issue of such notifications cannot and should not be construed as approving the rule in question. It has also to be remembered that so many rules and so many ordinances are being issued of late that it is not possible for the commercial community to express their views in regard to each of them unless they are specially invited to do so before the rule or the ordinance as the case may be is issued by Government. My Committee, would, therefore, most earnestly request the Government of India that when any rule or ordinance affecting the trade, commerce and industry of the country is issued, the Government of India should give the commercial community and the Chambers concerned an opportunity to submit their views before the rule or the ordinance as the case may be is finally issued by Government.

My Committee note that a Commission of Enquiry has been set up to enquire into and report on the causes of the fire and explosions and also to enquire into the adequacy of the action taken before, during and after the disaster and that the report of the Commission, except such parts, the disclosure of which, in the opinion of the Commission, would be detrimental to the public interest or the successful prosection of the war, will be published for general information. My Committee would like to make it clear that while they do not desire the publication of any information which will be of value to the enemy or which would impede the successful prosecution of the war, they would like to emphasise the fact that such information and such aspects of the case as would affect the activities of the commercial and the industrial community should not be withheld by the Government from them and from the general public. They should be given an opportunity not only to study the impli-

cations of such factors but should also be allowed to submit their views thereon for the consideration of the Government.

Your letter further adds that a small Committee of experts will be sent round to all the major ports to enquire into local dispositions and instructions and to examine the precautions taken during the discharge of dangerous cargoes. My Committee would like to make it clear that the discharge of dangerous cargoes in the docks and particularly in places which are near centres of trade and business activities, is a matter of serious concern to them. It is, therefore, essential that the commercial community should be given an opportunity to submit their views and observations before the Committee mentioned above so that the object that all have in view may be effectively achieved. My Committee most strongly urge upon Government the desirability of seeking the co-operation of the commercial community in a matter of such grave importance and not to take only unilateral action in this connection as they have been doing hitherto.

While my Committee fully realise that such information as may be useful to the enemy should not be published, they are constrained to remark, that as pointed out by them in their telegram of 10th May, very important matters affecting trade, commerce and industry the interests of which the Chamber represents, come up before the Trustees of the Port for their consideration, from time to time. There could be and should be no objection under the circumstances to the imparting of information by their representatives on the Trust in connection with such matters to them. It will be admitted that there are various such matters which do come up before the Trust from time to time. For instance, the Military recently proposed to acquire a large piece of land on the Elphinstone Estate of the Port Trust. This is a matter in which the commercial community are most vitally interested and yet under Rule 45B there cannot be the remotest possibility of the communication of such information by the representatives of the Chamber to the Committee. My Committee would invite your attention to a matter of still graver importance than this. My Committee understand that commercial cargo often lies side by side with explosives in the Docks. The Government are aware that such cargo will not be covered by insurance companies against fire as a result of explosions. The Port Trust have told the Chamber that whether they are liable for making good the losses suffered by the commercial community under such circumstances could only be decided by a Court of Law. The Government of the country have not admitted that it is the responsibility and duty of the State to make good the losses suffered by people under such circumstances. It would be realised that such disposition of cargo in the Docks is a matter of the gravest concern to the commercial community. The representatives of the Chamber are, however, precluded under Rule 45B from communicating such information to the Chamber. It cannot be contended that the communication of the

information in regard to the manner in which such cargo lies in the Docks and in connection with the fixation of the responsibility on a responsible party as a result thereof for making good the losses that the commercial community might suffer in case of fire, is a matter which can be useful to the enemy. But it will have to be recognised that the imposition of a ban on the representatives of the Chamber from communicating such information to their Committee where the trade and commerce are vitally interested will be a matter of grave concern and anxiety to the commercial community at large. My Committee have, therefore, once again to urge upon the Government of India the necessity of reconsidering the request that they have made in their telegram and be pleased to so modify the restrictions imposed by Rule 45B as might enable their representatives, without entrenching upon the field of security, to communicate information which vitally affects the trade, commerce and industry of this city. My Committee have, no doubt, that the Government of India will be pleased to give their most earnest and careful reconsideration to the request made in this and the previous communications and be pleased to so modify the position as would enable the commercial community to safeguard their interests without in any way impeding the war effort of the Government or disclosing any information which, as the Government rightly observe, might be of value to the enemy.

Letter No. 8-P(35)|44 dated 19th September 1944 from War Transport Department to Chamber.

I am directed to refer to your letter No. 1206 dated the 15th/17th June 1944 and to reply as follows on the various points raised :—

(1) It is not always possible to consult the commercial community before any rule or ordinance affecting trade, commerce and industry is made, particularly if any security aspect is involved.

(2) The first report of the Commission, set up to inquire into the causes of the Bombay Explosions and into the adequacy of the action taken has already been published and their second report which has just been received will be published in due course.

(3) The Dangerous Cargoes (Ports) Committee referred to in this department's letter No. 8-P(35)/44 dated 25-5-44, is a technical Committee of experts set up to examine the adequacy of the existing regulations for the handling of dangerous cargoes at major ports and to make proposals for the better regulation of these matters. The Government of India do not think that any useful purpose would be served by asking the commercial community to place its views before this Committee.

(4) The Government of India agree that there may be certain matters not connected with security in respect of which the elected Trustees of the Bombay Port Trust may wish to consult their constituencies and have delegated powers under sub-rule (3)(*b*)(*vi*) of Rule 45B of the Defence of India Rules to the Chairman, Bombay

Port Trust which will enable him to authorize publication of any particular document when he is satisfied that no security objections exist.

Letter No. 1988 dated 30th September 1944 from Chamber to War Transport Department.

I am directed by the Committee of the Indian Merchants' Chamber to acknowledge receipt of your letter No. 8-P(35)/44 of the 19th instant in reply to their letter No. 1206 of the 15th/17th June last and to offer the following observations for your careful and sympathetic consideration.

Para 1 of your letter states that it is not always possible to consult the commercial community before any Rule or Ordinance affecting trade, commerce and industry is made, particularly if any security aspect is involved. At the same time, when the Government make any Rule under any Ordinance, they presume that the restrictions that may be imposed by that Rule have been willingly accepted by the commercial community all over India. My Committee have already pointed out to you the difficulty of expressing views on each and every rule made under the Ordinance after it has been made. While my Committee do not desire to know anything about the security aspect involved in a particular case, they are really anxious to ensure that any rule made by the Government and any restrictions imposed by them do not militate against the best interests of trade, commerce and industry which they represent. My Committee, therefore, hope that the Government will be pleased to reconsider this matter and agree that whenever any Rule or Ordinance which they propose to make is likely to affect the trade, commerce and industry of the country, they would give the commercial community and the Chambers concerned an opportunity to submit their views before the Rule or the Ordinance, as the case may be, is finally issued by them. In doing so, Government may consult them on such aspect as do not in any way militate against the safety considerations which they may have in view. My Committee have no doubt that the suggestions will merit your careful reconsideration.

With reference to para 2 of your letter, my Committee note that the second report in regard to the inquiry into the cause of the Bombay Explosions will be published in due course. The Report that has already been published is receiving the attention of my Committee.

As regards the third paragraph of your letter, my Committee regret that the Government do not think that any useful purpose would be served by asking the commercial community to place its views before the Dangerous Cargoes (Ports Committee) referred to in the letter from your Department dated the 25th May. My Committee are fully aware of the fact that the Committee in question is a technical Committee of experts set up to examine the adequacy

of the existing regulations for the handling of dangerous cargoes at major ports and to make proposals for the better regulation of these matters. While my Committee have no desire to submit the views in regard to the technical aspects of the question, they have no doubt that the Government would realise that the commercial community would be seriously affected by such steps as are generally taken in the major ports for the discharge of dangerous cargoes in the Docks and particularly in places which are near the centres of trade and business activities. As pointed out by my Committee in their last letter, it is a matter of serious concern to the commercial community if commercial cargo is allowed to lie side by side with explosives in the Docks or at the bunders. My Committee consider it essential that the interests of trade, commerce and industry in such a matter should be fully safeguarded.

My Committee, however, regret that the Government have not been pleased to enlighten them in connection with this vital matter and no definite reply has been vouchsafed to them either in regard to the safeguarding of the interests of the commercial community in connection with the juxtaposition of such cargo or in regard to the responsibility of the Government in making good the losses which that community might suffer in case such cargo is damaged or lost. My Committee feel that this is a matter of serious importance to the commercial community. The revelations which have been made in the first report of the Stone Commission have aggravated their apprehensions and have made them more anxious than before in regard to the safeguarding of their interests in the future. The manner in which the commercial community was debarred, as a result of the Compensation Ordinance issued in July last, from taking any legal action against the Port Trust or the Municipalities, etc., in connection with the damage or loss to the property in the Docks as a result of fire or explosions, naturally makes my Committee more nervous than before as regards the safeguarding of the interests of the commercial community in such an emergency as happened in April last. My Committee, therefore, consider that it is but only fair and just to the commercial community, that if the Government of India think that in the interests of the war, they have no other alternative but to adopt a particular line of action, the least that the Government should do is to give a definite assurance to the commercial community that the Government would make good the losses which the commercial community might suffer as a result of the action that they may have taken and for which they alone would be responsible. My Committee have, therefore, to request the Government to give their careful thought to this vital matter in the light of this communication and to give them the necessary assurance for the purpose which they have asked for.

While on this my Committee would like to point out that under normal conditions under the restrictions imposed by the by-laws of the Bombay Port Trust a ship carrying explosives is not to be

allowed into the docks, but by a rule issued under the Defence of India Rules, the operation of this by-law has been suspended. My Committee would like Government, in the light of the experience of the effect of this relaxation in normal rules, to re-examine the position and consider whether it is not possible to devise alternative methods of discharging explosives without bringing the same into the dock-precincts. At any rate, even if Government find that bringing of explosives into the docks during war-time is inevitable, it is at least necessary that the terms, conditions and circumstances under which it could be brought should be carefully examined and proper precautionary measures taken. It is significant to point out that the Stone Commission in paragraph 65 of their Report stress this aspect when they say that " the real need is the setting up and enforcing of proper and adequate safety precautions. . . . What is dangerous in the existing circumstances is not, in our opinion, so much the bringing of explosives and ammunition in bulk alongside, as the failure to treat them properly." My Committee seek a re-assurance from Government that at least so far as the future is concerned, strict steps would be taken to provide all the necessary safety measures in order to eliminate chances of the recurrence of such a calamity.

So far as the 4th paragraph of your letter is concerned, while my Committee welcome the decision of the Government of India that the elected Trustees of the Bombay Port Trust might be allowed to consult their constituencies in regard to certain matters pertaining to the Port Trust, not connected with security, they may be allowed to point out to you that the manner in which power in this connection is delegated to the Chairman of the Port Trust may render it impossible to achieve the object in view and with which the Government are in sympathy. My Committee would, therefore, suggest that it should be competent to the Trustees to take a decision in regard to that publication or consultation of any matter which may come up before them and in case the Chairman does not agree with that decision, the matter should be placed before Government for their final orders. Unless the viewpoints of the commercial community in regard to a particular measure or to a particular matter coming up before the Trustees are carefully placed before the Trustees and are fully weighed by the Chairman, my Committee consider that it is not fair to him that he should be saddled with the fullest responsibility of deciding for himself as to whether publication should be allowed or not in regard to what the Trustees may have done or may propose to do in regard to a particular matter affecting the interests of the commercial community. My Committee, therefore, trust that the orders which the Government might have issued to the Trustees of the Port in connection with this matter would be suitably modified in the light of what is stated in this paragraph and my Committee have no doubt that the Government will be pleased to do so.

APPENDIX 95

Facilities for Reconstruction of Buildings, Godowns, etc. on Port Trust Estate Area

Letter No. 1046 dated 29th May 1944 from Chamber to Port Trust, Bombay.

I am directed by the Committee of this Chamber to address this communication to you in continuation of their letter No. 972 of the 19th instant. My Committee have pointed out to you in that letter the facilities which the merchants would require for the reconstruction of buildings and godowns in the area affected by the recent disaster. Since then, four leading commercial associations, carrying on their activities in the affected area addressed a letter to you, on the 22nd day of this month, and have set forth certain proposals for the immediate consideration and decision of the Trustees having bearing on the reconstruction of the area and the facilities required for the resumption of the trade. Representatives of those and other associations met the *ad hoc* Committee of the Chamber on Saturday last, and requested the Committee to bring to the notice of the Trustees, the following important points, which require to be dealt with without any delay. These points may be summarised as follows :—

(1) The Port Trust should not charge any rent for the land leased to the lessees in the affected area from the 14th April 1944 till the building or godown that existed on that land has been reconstructed by the lessees, and it has become possible for the lessees to enjoy the beneficial use of the same. This would be equally applicable to the lessees who hold land on the monthly tenancy as well as to those who hold for a long period. In order to retain the right of the Port Trust they might, however, collect a token rent from the lessees during this period.

(2) The concession referred to in (1) above should also be extended to those who have rented the godowns or part of a godown belonging to the Port Trust in the affected area, and only a token rent should be collected from them till they are able to get the beneficial use of the premises which they have rented.

(3) As the Ryan Market was a central place for the meeting of merchants, brokers and others interested in several trades, it should be repaired or reconstructed at as early a date as possible for the benefit of these trades. If it is possible to allow the trade to utilise its premises without any interference with the work of reconstruction, such facilities should be given to these trades.

(4) The rights of the existing tenants should not be interfered with and they should be assured that their tenancy would be continued. If any old tenants are unable to or unwilling to continue their tenancy, the space occupied by them, and which might be released in case of their not continuing as tenants, should not be given to outside parties but should be disposed of through such of the trade associations to whom the old tenants might have belonged.

(5) The Port Trust should immediately announce its policy as regards the reconstruction of the buildings and godowns in the affected area. It is essential that the lessees and tenants should know the type of buildings and godowns that would be allowed to be put up in the affected area. There should be no delay by the Port Trust in the final acceptance of the plans that may be necessary for the putting up of these structures.

(6) The securing of the necessary materials for the construction of the buildings and godowns in the affected area, whether temporary or permanent, is a matter of the most serious concern to the members of the associations which were carrying on the trade in the affected area. It is, therefore, their strongest request to the Trust that the Trust should utilise its good offices and influence with the authorities concerned to secure for the trade the highest priorities for getting the release of all the materials that might be necessary for reconstructing the buildings and godowns in the affected area.

Apart from the question of securing full compensation for the loss of property, commodity, stores, etc., in the affected area, my Committee have, no doubt, that you will agree that the reconstruction of the buildings and godowns in that area is a matter of supreme importance for the revival of trade and business in that part of the city. My Committee feel sure that it will be recognised by all concerned that such a revival of trade at the earliest moment possible is not only essential to the economic well-being of the city in general, but is also necessary for the prosperity of this port. That is the reason why my Committee would urge upon you, with all the earnestness at their command, that the Trustees should be pleased to evolve such a speedy machinery for the purpose of dealing with all these questions for enabling the parties concerned to reconstruct their buildings and godowns as would involve the least delay possible. My Committee would venture to suggest that, if it is felt necessary, the Trustees might call upon the representatives of the trade organisations concerned as well as those of this Chamber to meet their Port Working Committee or any other proper Committee which might be dealing with these matters so that a satisfactory solution of these various questions may be reached without any delay at a Round Table Conference. My Committee hope that this proposal will merit careful consideration of the Trustees.

It is not necessary for my Committee to add that what they are referring to in this letter is about the reconstruction of the godowns in the affected area, i.e. the area outside the docks. In this connection, they have again to bring to the notice of the Trustees an important point about which a reference was made by them in the past. In reply to their enquiry, the Committee were informed that the Military authorities had asked for about 30,000 square yards of land for storage accommodation either in the Elphinstone Estate or elsewhere. My Committee had already pointed out that it was highly undesirable that the Military authorities should be given any

land either in the affected area or round about the docks; in other words, no such land should be given to them which might be in the vicinity of centres of trade and business activities. My Committee have, therefore, once again to request the Trustees that they would be pleased to assure the various associations as well as this Chamber that they would not lease out any land to the Military either in the affected area or in the vicinity of centres of trade and business activities. My Committee would further venture to request the Trustees that they should use their influence with the Central Government and request them not to allow the Military to acquire or requisition any land for Military purposes within the area referred to above.

My Committee understand that so far as the work of reconstruction inside the docks is carried on, it is entirely within the control and discretion of the Military authorities. As there are, however, rumours floating in the market that the control of the Military is likely to be extended to the work of reconstruction outside the dock area, my Committee would most earnestly request the Trustees to assure them that there is not only no truth in any such rumours floating in the market but that they would not allow the control of the work of reconstruction in the affected area on land belonging to the Port Trust to pass away into the hands of the Military from the hands of the Port Trust. This is really a very important matter and my Committee would be obliged if you would be pleased to clarify the position in this connection very fully.

My Committee would also like to suggest that the area which at present is used for a particular trade, should be allowed to be used for that trade even when godowns are reconstructed. The location of different trades in the city has not been due to mere chance, but is the result of circumstances as they arose from time to time. Commercial, social and various other considerations have been responsible for the location of different trades at different places and my Committee hope that nothing would be done to divert these trades from the places where they were functioning before the disaster.

My Committee have requested you to evolve a very speedy machinery for dealing with the problems raised in this communication. If much of the routine and red tape are done away with, and if prompt steps are taken to give permission to the owners and lessees to carry on their work in accordance with their plans and if all the weight and influence of the Trustees are used for securing the necessary building materials, for enabling the parties concerned to start their building operations, there can be no doubt that the public as well as the Port Trust will be working with their full strength for eliminating the grave effects of the recent disaster and in promoting the war efforts.

My Committee understand that a meeting of the Trustees will be held on Tuesday, the 30th instant. As this is a matter of great urgency, my Committee will feel obliged, if you will place this letter before the Trustees at that meeting, and request them to give their prompt and favourable consideration to the various points raised in this communication, and to announce forthwith the policy that they wish to adopt for the reconstruction of the buildings and godowns in the affected area and for the revival of the trading activities in that centre.

Letter No. 102391 *dated* 12*th July* 1944 *from Port Trust to Chamber.*

With reference to the correspondence ending with this Office letter No. W.2012 dated 20th June 1944 on the above subject, I am directed to communicate to you the Trustees' decisions as follows :—

Remissions of ground rents in respect of leaseholds and tenancies affected by the fires.—Ground rents will be remitted for the period, 15th April 1944 to 30th September 1944 (or the date of occupation of the plot for any purpose whatsoever, whichever is earlier). Thereafter ground rent will, as a general policy, be charged at the open storage rate of As. 0-4-0 per square yard per month, irrespective of whether the plot is situated on the west of Frere Road or on Manson Road or is a rice godown plot, except that, where the present rate is less than As. 0-4-0 per square yard per month, the lesser rate, i.e. the present rate, will be charged. The date up to which the open storage rate will be levied will be specified later by the Board, and with effect from the date so fixed, the existing lease or tenancy rates will apply, subject to such " free building time " as is usual in Port Trust leases and as the Trustees might think it fit to grant in each case.

Rents in respect of Port Trust Structures destroyed in the fires.—The rent bills in respect of such structures will cease with effect from 15th April 1944.

Rebate for prompt payment of rent bills.—The usual rebate in rent will be granted provided the rent bills for the months of March and April 1944 (up to and inclusive of 14th April 1944) are paid on or before 31st July 1944 and provided that no accruing rent is in arrears for the period prior to March 1944.

APPENDIX 96

Viramgam Customs Cordon

Letter No. 2397 *dated* 1*st December* 1944 *from Chamber to Finance Department, Government of India.*

The Committee of this Chamber beg to approach the Government of India in the matter of hardships, difficulties and privations which the passenger public coming from and proceeding to Kathiawar

have to undergo at present at the Viramgam station as a result of the administration of the Customs Cordon there. The passengers coming by different trains are subjected, my Committee are informed, to discourteous and harassing treatment in the course of the examination by the Customs authorities of their personal luggage and effects. The question whether the Cordon should be there or not is a separate issue altogether and my Committee are not touching that point in this letter. What they are concerned with here is that even if the Customs Cordon has to be there as a matter of policy of the Government of India, the administrative routine in connection with the Cordon must be carried out in a manner which should not in any way be harassing or discourteous or cruel to the travelling public.

This matter has been receiving the attention of the press and has been ventilated for some time past and my Committee presume that the attention of Government must have been drawn to it. My Committee beg to request the Government of India to be pleased to make arrangements both with the railway authorities and the Customs authorities to prevent any harsh treatment of the public when the trains come to the Viramgam station and the Customs examination is being carried on. They should like to suggest that the railways should afford maximum of facilities to passengers during their detention in railway compartments or small railway enclosures and even on platforms which are open to sun and rain and that the interval between examination of luggage and starting of trains should be sufficiently long to avoid rush at the last minute. Examination should be carried out by persuasion and no harsh measures should be adopted at all.

My Committee earnestly hope that in view of the strong feelings of the public in regard to conditions prevailing at Viramgam due to the administration of Customs Cordon, Government will be pleased to take steps immediately to alleviate the sufferings of the travelling public.

APPENDIX 97

Speeches of the President and Vice-President of the Chamber, delivered at the Quarterly General Meeting of the Chamber.

Speech of Mr. Pranlal Devkaran Nanjee, President, Indian Merchants' Chamber, at the First Quarterly General Meeting of the Chamber, on 3rd May, 1944.

GENTLEMEN,

The Report of the work done by your Committee during the first quarter of the year has been sent to you and you would have noted it.

Fire Calamity

We are to-day meeting under the shadow of a great calamity, unprecedented in the civic history of Bombay. The disastrous explosions which shook the city and the consequent fires that destroyed life and property, plunged the City in great distress and mourning. The extent of the damage left us gasping in appalling anxiety. The only relieving feature of the catastrophe was the great fortitude and self-sacrifice shown alike by members of the public and the services, the Army, the Navy, the Port Trust, the Municipality, etc. All did what they could to help and had it not been for this great and timely help, the damage might have been much more. The calm courage, with which ordinary Bombay citizen and his wife faced the calamity, the like of which was never seen before, was equally praiseworthy. Bombay citizens have shown that they can stand at their posts without any panic and that whatever may come, they will face the crisis and pass through it undaunted and unafraid.

The generosity of Bombay is well-known and it was quite in accordance with the nature and characteristics of Bombay that a Citizens' Emergency Relief Committee was appointed and that relief of distress in the shape of food, clothing, etc. began to be provided almost immediately. I pay my humble tribute to all those men, women and institutions that came forward to help in money and service in this cause. We are also grateful to His Excellency the Governor of Bombay for immediately arranging and distributing relief through the Municipal Administration and for his assurance that arrangements were being made whereby Bombay would have sufficient supplies of foodgrains.

I will now come to some of the pregnant questions which are uppermost in the minds of the business community and are also being discussed and considered by Government. It is essential that the explosions which resulted in the unprecedented disaster in the City should be the subject of an early, impartial, independent and the strictest enquiry. Nothing must be left undone to ensure that accidents of this kind do not occur again. The people should also be reassured by Government that all necessary steps would be taken for the prevention of such a disaster occurring in the future in the docks or in the vicinity of centres of life and business activity.

Whenever disasters of such magnitude occur, Government, that alone has the resources, is naturally looked to to make good the losses whether in men, material goods, stores or other property lost or damaged. It appears that this great and most unfortunate calamity which has befallen our fair city has been due to the Governmental or Allied activities in the docks in connection with the prosecution of the war. When its origin, magnitude and circumstances and the suddenness are considered, whatever may be the technicalities and the intricacies of law, it is the duty of the State to take upon itself the responsibility for making good the losses resulting from the disaster. None but the Government would be

enough for the colossal task and the expenditure involved. It is the duty of the Government of India to make good the losses and compensate those who have suffered. It is essential for the Government to do so, also to prevent repercussions that would otherwise ensue in the financial sphere and if Bombay, the *Urbs Prima in Indis* as well as the centre of trade, commerce and industry, is in a bad plight, the rest of the country cannot be saved from its ill effects.

To allay the grave public anxiety in this connection, the Government should immediately announce that they would make good the losses. The Government should lose no time in setting up a small Tribunal consisting of a Judge or an ex-Judge of the Bombay High Court having practical experience of such matters as Chairman including one or more non-official businessmen commanding the confidence of the public to assess losses and claims for compensation.

The Government should also take immediate and all necessary steps for the restoration and reconstruction of property lost, both residential and business, *inter alia*, by granting of priorities and facilities for bringing into Bombay and making available the necessary materials. The Government should render such other assistance as would be necessary for the early resumption of trade and business that were being conducted in the affected areas which were almost the heart of Bombay's trade, wealth and prosperity.

Once the Government decide and declare that they will take upon themselves the responsibility of compensation and rehabilitation, it will not be difficult for them to find ways and means for arranging the necessary finance. For example, the money may be raised by a Government Loan of a certain maturity. While we can only look to the Government of India to pay the said cost, it is for the Government of India to decide whether they should recover that cost from the Allied Governments. If the Government of India do so, their claim would be just and proper when it is remembered that Bombay has from the beginning of the war been one of the most active centres and important links for the war activities of the Allied Governments, their troops and their war material.

We are very grateful to His Excellency the Viceroy for coming over here very soon and seeing the situation for himself, and for giving the Chamber, through me, an opportunity to represent to him these views. I earnestly hope that His Excellency the Viceroy will make an early announcement which will remove the public anxiety and distress, relieve depression in the City and rehabilitate without delay the sufferers as well as the trade and commerce of Bombay which would otherwise be taken away from and lost to Bombay.

Death of Smt. Kasturba Gandhi

We all heard, with the deepest sorrow, of the death of Pujya Smt. Kasturba Gandhi. The people of India have looked upon Mahatma Gandhi, as their trusted and revered leader and their

Friend, Philosopher and Guide. They looked upon Pujya Kasturba as a saintly woman and as a mother to all. She always stood alongside her revered husband in his manifold struggles, political, social and religious and Gandhiji has acknowledged more than once his great debt to his noble partner in life for the inspiration and never-failing help he received from her.

It was the second cruel blow fate struck Mahatma Gandhi since he has been locked up under detention. In the sad demise of Smt. Kasturba Gandhi, not only Mahatmaji lost a most loving, devoted, noble, high-minded wife, who had been his life companion through thick and thin for over 60 years, but also our country a *Sati* of the modern times. She embodied in herself our ancient ideal of Indian womanhood, and her revered memory will always be cherished by India along with Sita, Savitri and Anasuya.

The whole country has mourned the death of Pujya Kasturba, and it was but fitting that it was resolved, in response to the appeal of Pandit Madan Mohan Malaviya and several other eminent leaders, that a fund of Rs. 75 lakhs should be collected and handed over to Mahatmaji on his next birthday to be spent for the welfare and education of women in India. Here also the duty of Bombay is clear. I recognise that Bombay has suffered much, but Bombay has always listened to the calls for help, and I am sure, that Bombay will not fail when the call is one of the nature of a memorial to Pujya Kasturba Gandhi.

Political Deadlock

It has been found to be a sad duty of your President at one Quarterly General Meeting after another, to sing the same dolorous and tragic song in respect of the political deadlock in the country. The business community all over the country and men of political parties even other than the Congress cried themselves hoarse over this question and have tried to convince Government that its continuance is not doing any good to the country. His Excellency Lord Wavell, in his address to both the Houses of the Central Legislature, also discountenanced the plea for the release of Congress leaders and said that " the demand for release of those leaders who are in detention is an utterly barren one until there is some sign on their part of willingness to co-operate." I observed in a statement which I issued at that time that " to harness the service of Indian national leaders by securing their co-operation in the great tasks that lie ahead in the common interest of all was part of wisdom, but to ask them to disown their faith of a life-time for securing such co-operation showed lack of statesmanship." Unfortunately, Government have turned a deaf ear to all these protestations, hopes and expectations. For the present, therefore, India has to reconcile herself to the *status quo*, and the deepest feeling of frustration continues to exist throughout the country. Sir Chimanlal Setalvad, the Liberal leader, who is a shrewd judge and who possesses far-sighted

knowledge of the political situation and who does not by any means hold a brief for the Congress, has well observed that the feeling in certain quarters that by the continued incarceration of the Congress leaders, and Congress representatives being out of power, the Congress hold on the country had lessened and that the Congress for that matter was practically dead, is a gross miseonception and misreading of human psychology. He has also indicated that if the general elections to the Legislatures were held the Congress would sweep the polls and would acquire greater influence. If the deadlock has to end and if Government are earnest about it, the only way is to depute some responsible persons to have access to the leaders of the Congress behind the prison bars. Unless this is done, and an opportunity given to the Congress leaders to meet among themselves and specially to consult Mahatma Gandhi, there can be no hope of the deadlock being removed. His Excellency Lord Wavell has a great opportunity before him, an opportunity of getting India as a fully co-operating partner in the comity of the United Nations and in the Commonwealth. One dreads to contemplate the consequences if this opportunity is lost. Unfortunately, His Excellency even, perhaps, is not at full liberty to act as he would like to under the circumstances, for the Secretary of State for India is pursuing his task of relentlessly embittering India more and more. His last speech is one more example on the point. Along with Mr. Amery, there are also several retired Civilians and ex-satraps, who are utilising their present stay in England for returning the hospitality which India gave to them, by abusing and misrepresenting India to the British people. Thus, Lord Erskine, a former Governor of Madras, compared India with the Roman Empire and said that so long as the power of Rome was strong the Empire formed a cohesive whole. Sir Henry Craik, a former Governor of the Punjab, wanted in an insidious manner to put up the Princes against any political development of the country.

Bombay Plan

I should like to congratulate our eminent friends, Sir Purshotamdas Thakurdas, Mr. J. R. D. Tata, Mr. G. D. Birla and others for formulating a Plan of Economic Development for India. I need not remind you, gentlemen, how under the leadership of Pandit Jawaharlal Nehru, a National Planning Committee was formed and that Committee had distributed its work to several Committees and Sub-Committees. All these labours held out to us great promise and we entertained high hopes regarding their outcome, but unfortunately, before their different reports and well-prepared documents could see the light of the day, Pandit Jawaharlal Nehru was arrested under the Defence of India Rules and the great work remained half-done and suspended. It is a matter of satisfaction that our leading industrialists devoted their time and labour to the evolution of the said plan.

The authors of the Plan have made it clear that underlying their whole scheme is the assumption that on the termination of the war or shortly thereafter a National Government will come into existence at the Centre which will be vested with full freedom in economic matters. They have also assumed that the future Government of India would be constituted on a Federal basis and that the jurisdiction of the Central Government in economic matters would extend over the whole of India.

The principal objective of the Plan is to bring about a considerable increase in the *per capita* income of our country within a period of 15 years. It aims at securing a general standard of living which would leave a reasonable margin over the minimum requirements of human life. According to an estimate which relates to 1931/32, our *per capita* income does not exceed Rs. 65 per annum, while that of the U.K. is Rs. 980 and U.S.A. is Rs. 1,406. The authors believe that given a systematic plan and adequate organisation, the national income can, within a short time, be raised considerably above that required for meeting the minimum needs of life.

The Plan proposes to create basic industries for the production of power and capital goods, which would reduce our dependence on foreign countries for plant and machinery. Increase in agricultural production is also proposed in the Plan and the authors of the Plan believe that the essentially agricultural character of our economy will remain unchanged.

The Capital expenditure which is estimated to amount to about Rs. 10,000 crores, is, indeed, huge as it should be for a Plan of this character and the authors are convinced that it is well within the limits of our resources and have suggested the source of finance available to us.

Although the Brochure outlining the Plan deals in many other important aspects, the authors have been careful to state that their memorandum is not with any sense a complete scheme nor is its scope so comprehensive as that of the National Planning Committee to whose labours the conception of a planned economy for India is very largely due. I welcome the Plan as a constructive contribution towards the solution of India's economic problems, aiming as it does " to improve the lot of have-nots," and hope that the assumption on which the Plan has been based, viz., the coming into existence of a national government constituted at the centre on a federal basis with jurisdiction in economic matters extending all over India, will materialise early and lead to our economic emancipation.

Budget of the Central Government—1944/45

I shall now pass on to make a brief reference to the Budget of the Government of India for the financial year 1944/45. The Budget is dominated by the enormous increase in the expenditure on defence and the consequent widening of the gulf between revenue and expenditure. Our basic normal defence expenditure was Rs. 86.77

crores per annum and this has now increased to over Rs. 301 crores as estimated for 1944/45 including certain items which are sought to be taken into capital account. In other words, defence expenditure is now roughly eight times over the basic figure. The total expenditure on defence since the commencement of the war, including the budgetted figure for 1944/45 would aggregate to Rs. 1,048 crores, viz. :

in 1939/40	Rs.	49.68 crores
1940/41	,,	73.61 ,,
1941/42	,,	103.98 ,,
1942/43	,,	214.62 ,,
1943/44	,,	300.94* ,,
and 1944/45	,,	301.00* ,,

(* including capital items)

There has also been a progressive increase in the civil expenditure from Rs. 37.56 crores in 1939/40 to Rs. 86.57 crores in 1944/45. Against the background of this colossal increase in expenditure, the claim made by the Hon'ble the Finance Member that the existing agreement between the Government of India and His Majesty's Government regarding the allocation of defence expenditure is fair and reasonable, cannot be sustained. The Indian commercial community have not been slow to give candid expression to their misgivings that the vague and elastic nature of the arrangement would make India bear burdens in the name of war which cannot, by any stretch of the circumstances connected with the development of the war in its various theatres, be exclusively deemed to be India's war measures. India is a major sphere of operation at the moment and it is conceivable that large items of expenditure would be incurred within the geographical limits of the country, which expenditure may be necessitated mainly and fundamentally by considerations of furthering the Allied war strategy on the Eastern Front as a whole. Again, the theory of joint war measures which was enunciated by the Finance Member in one of his previous Budget Statements makes the whole position fluid and the public in this country is really apprehensive that the taxpayer is being called upon to bear, in the name of the war, a much larger burden than can be justified. Moreover, in the absence of any arrangement for a non-official scrutiny into the method of allocation of defence expenditure, Indian public opinion cannot feel re-assured on this point. The war is now being fought on Indian soil. If the formula as explained by the Finance Member in his previous statements is supposed to govern the expenditure now being incurred in this theatre, would it mean that the entire burden of the present operations and measures carried within the geographical limits of the country has to be borne by India? While the Finance Member gave an assurance at the time of the Budget discussion this year that the cost of the South East Asia Command did not add to or diminish India's liability and that India would have to bear that part of the expenditure which fell

to her lot in terms of the Financial Settlement, he has not been helpful in elucidating as to how in the changed circumstances the terms of that settlement were to be applied particularly in regard to expenditure on the operations on the Burma Frontier. It is reported that the Finance Member will shortly be proceeding to the United Kingdom to further discuss the question of allocation with His Majesty's Government. It is to be hoped that he will recognise the strength of public feeling in this country on the issue and press for a modification of the terms and arrangements in favour of India so that the burden which India is called upon to bear will be substantially reduced and related to her own economic condition and financial capacity.

It is interesting to examine how this enormous increase in expenditure during the last five years of war period has been met. Expenditure caused by abnormal developments and circumstances is generally spread over a long period and it is a recognised canon of public finance that expenditure on abnormal happenings like war has to be shared both by the present and future generations by judiciously spreading the burden of the same. It is with that view that almost all the countries have adopted a policy of financing the war by a judicious distribution of the burden between taxes and loans. As far as this country is concerned, however, the burden of taxation is being stepped up year after year; the total tax revenue has gone up from Rs. 72.34 crores in 1938/39 to Rs. 237.41 crores (budget) in 1944/45. The revenue from direct taxation on income, viz.: Income-tax, Corporation Tax and E. P. T. has also gone up from Rs. 15.78 crores in the pre-war year to Rs. 158.81 crores in the current year. It will be appreciated that the burden of this increased taxation on income falls principally on trade, commerce and industry of the country. The percentage of tax revenue to total expenditure is 50 in the U. K., and is about 70 in India.

Since the commencement of the war, a number of new taxes has been imposed and the existing scales and rates increased in regard to many others. The rates of income-tax and super-tax have been successfully stepped up, surcharges added, a new levy in the shape of E.P.T. introduced which, with the proposal for increasing the quantum of compulsory deposit adopted this year, completely immobilises all the additional profits accruing to trade, commerce and industry; excise duties have been either levied or enhanced on articles of necessity like sugar, motor spirit, matches, tubes, tyres, artificial silk, tobacco, vegetable product, betel nuts, tea, coffee, etc. Communication services like railways, posts and telegraphs, telephones, have been used as sources for additional revenue. I do not want to refer in detail to the individual items of taxes newly introduced or added this year, but I cannot help mentioning that the main brunt of the increased burden has again fallen on trade, commerce and industry. By increasing the surcharge on income-tax and super-tax, by raising the Corporation Tax from one anna to three annas

in the rupee on the distributed portion of the profits, by increasing the quantum of the compulsory deposit under the E.P.T. and by providing for advance payments in respect of taxation, Government are bringing about a state of affairs in which trade and industry, instead of being enabled to build up reserves with which to plan for the future, might be obliged to strain themselves for meeting and adjusting their current financial needs and requirements.

Apart from the burdens immediately imposed, the present taxation policy of Government is also impinging upon the capacity of industries to make adequate and due provision for rehabilitation in the post-war period. It is common knowledge that in many industries machinery and equipment are being worked to death because of the difficulties in getting replacements, renewals, aids to smooth working, etc., and because of the supreme importance of intensifying production for meeting the war exigencies. The Income-tax Act permits only specified rates of depreciation on machinery and fixed plants to be deducted from profits before tax is assessed; the rates of allowance are small and in most cases considerably less than what progressive undertakings actually provide. Replacement and modernisation are problems which industries will have to face immediately after the war and if Government do not change their taxation policy in a manner which would enable this being achieved by building up reserves during periods of prosperity, the financial position of industries in the future is bound to be jeopardised. For instance, the textile industry recently submitted a case for an allowance which would be free from both income-tax and E.P.T. for the purpose of building up a reserve for rehabilitating the industry after the war. Government have not come to any decision in the matter. It is necessary that the taxation policy of Government should recognise all such needs and enable industries to build up reserves to meet deferred renewals and repairs, replacement of obsolete equipment and the losses inevitable in switching over from war to peace time conditions. It is unfortunate that Government's taxation policy has so far not taken into account any of the above factors, and that while Government are seeking to absorb and immobilise all the increased profits by increases in or additions to taxation, they have so far not given any indication that they are alive to the need for allowing the industry to safeguard itself by making adequate provision to enable it to absorb the shocks inevitable in the period of transition from war to peace.

Mahatma Gandhi's Illness

After the above was written, news has come that Mahatma Gandhi had an attack of malaria and his condition was causing some anxiety. Crores of our countrymen, who look upon Mahatmaji not only as their leader but with intense affection and reverence, heard the news with a pang. His illness, even if it be slight, at his age and after his two bereavements since his detention, should be enough to cause any one the greatest anxiety. It is most regrettable

that Government do not appear to realize the risk they are taking in continuing to keep him under detention. May I respectfully appeal to the Government not to be so utterly unmindful of the public opinion and, in the interests of the future friendly relations between Britain and India, not to take a moment longer the huge risk and responsibility of keeping him under detention in his present state of health?

Speech of Mr. M. A. Master, Vice-President, Indian Merchants' Chamber, at the First Quarterly General Meeting on the 3rd May, 1944.

MR. PRESIDENT AND GENTLEMEN,

As the President has dealt with the problems arising out of the recent disaster in the City, I shall not say anything further about it in my speech.

As regards his reference to the demise of Shrimati Kasturba Gandhi, while I associate myself fully with the tribute which he has paid to her, will you allow me to add a word of my own? Why do we feel the passing away of Shrimati Kasturba as a great national loss? Because we all feel that it will not be easy to find either in history or in epics a nobler woman or a more devoted and dutiful wife than Shrimati Kasturba Gandhi, who shared so completely and so cheerfully the joys and sorrows, the trials and tribulations, the dreams and visions and the ideals and aspirations of her world-renowned husband or threw so zealously her entire being in sustaining the strain of his priceless services to our motherland. Simple but shrewd, austere but social, forgiving but firm, selfless and sacrificing, the great mother of the nation endeared herself to all by the purity of her character, the spell of her service, and the serenity of her soul. One touch of nature revealed her innerself realising the kinship of the whole world and verily service and sacrifice became the true and natural expressions of her life and living. This is the great heritage which the passing away of the great soul has left for us all for emulation and expression and one may, therefore, end on the heartening and chastening note, let us be worthy of her.

I would now offer a few observations on some of the questions which are of vital interest to us all.

TRANSPORT POLICY OF GOVERNMENT—RAILWAYS

The transport facilities of a country, the manner in which they are provided, the extent to which they are developed and the policy which underlies their organisation constitute vital factors for its economic progress and industrial expansion. Judged by this test, I regret to say, that the railway system of India has failed to serve the national interests. Proper distribution of foodstuffs is, it is admitted, as much necessary for the well-being of the people as it is for the effective pursuit of the war. And yet those who shape

the policy of the railways in this country could not foresee the tragedy which their policy of action or inaction was enacting in Bengal, where thousands of people died of starvation last year, because adequate quantity of foodstuffs could not be carried there in time, as waggons in sufficient numbers for their carriage could not be made available, when they were urgently required. Again, mills, factories and other industrial undertakings, which should essentially be kept fully working, were compelled either to curtail their production or shorten their hours of work in the absence of sufficient quantity of coal so necessary for creating motive power for running them. The shortage of waggons was again responsible for this scandalous situation. The Transport Member who is shaping the policy of the railways in this country, sent away hundreds of waggons, after the outbreak of the war, outside the country on the plea of assisting the allied war effort, and he miserably failed to organise and develop a vigorous system of waggon production in this country, both for meeting the country's military needs and its civil requirements. Is it any wonder then, if such an anti-national policy led to the breakdown of the railway transport in this country which could not and did not meet efficiently even the full needs of the military?

Manufacture of Locomotives, Boilers and Waggons

India has demanded for years past that waggons should be built in this country, and that locomotives and boilers should be constructed in this land. Not only is the development of such industries necessary for the efficient running and economic working of the railway system of the country, but it is also essential in the wider interests of national economy and industrial development. While the War Transport Member has held out the hope that the Railway Board would implement the decision to construct locomotives and boilers in India during the post-war period, we as practical men, have to remember that under the existing policy of the Railway Board, India would be importing nearly 900 locomotives and 20,000 waggons before the end of 1945. It is inexplicable that Government, who cannot find the comparatively smaller shipping space for importing plant, machinery and spare parts, that might be necessary for establishing the locomotive industry and developing the waggon industry in this country, finds far larger shipping space for the import of a large number of complete units of locomotives and waggons in this land. The policy, therefore, of ignoring the founding of a locomotive industry in the country and the snail-like progress in pursuing the policy of building waggons in the country, coupled with the imports of a large number of engines and waggons, as mentioned above, from abroad is bound to create a situation in the post-war period which is sure to be exploited by the Government of India against the development of these industries, as they can then tell us that as there are plenty of locomotives and plenty of waggons in the country, there is no need of developing the industries for manufacturing them in India. The way in which the Government of India

have responded hitherto to the demand for the development of important industries in this country, I am constrained to remark, justifies our fears that opportunities, once lost, may never return and a Government, which has failed to discharge their responsibilities even during the midst of a war and have failed to avail themselves of opportunities, which have come seeking them, will not go out of their way to create opportunities when peace returns.

Passenger Fares and Amenities

It is a matter for some consolation that after all the Government of India have now withdrawn their proposal to increase the passenger fares by 25 per cent. There never was nor could be any justification whatsoever for such an increase. The third class passengers have contributed nearly 85 per cent of the passenger traffic earnings during the last five years of the war and over 23 per cent of the total earnings of the railways during the same period. They, therefore, from the backbone of the railway system in the country. Moreover, the working of the railways has enabled them not only to build up a Reserve Fund to the extent of nearly 21 crores of rupees but has also made it possible for them to contribute a colossal sum of Rs. 89 crores to the General Revenues since the outbreak of the war. Railways are, we are told, run on commercial lines. It will, therefore, be recognised that these huge contributions by the Railways are nothing but a veiled form of indirect taxation on the people; and yet, with such large earnings from the third class passengers and with these huge surpluses which the Railways have been making since the outbreak of the war, have they done anything to mitigate the hardships of the third class passengers? On the contrary, these passengers have been compelled to put up with the progressively diminishing facilities, conveniences and amenities of travel and have been made to undergo untold discomfort, harassment and humiliation as a result of the increasing curtailment of the services and other circumstances. While the Railways are prosperous and have got ample means to improve the lot of the third class passenger and to give him all the creature comforts and human amenities and conveniences that he needs and deserves, the Transport Member fails to remember him or keeps him completely out of his sight. Was it not, therefore, adding insult to injury to tell the public that the additional earnings that could have been secured by the proposed increase of 25 per cent in the passenger fares would have been strictly utilised in the future for providing amenities for that passenger? Such an assurance cannot mislead the public. They cannot fail to detect in such an increase the insatiable greed of the Finance Member for adding an indirect but additional burden on the taxable capacity of the people which has now reached its highest limit.

This naturally leads me to the dictum of the Transport Member and the Railway Board "Travel Only When You Must." While I appreciate the motive underlying this advice to the public, will

it be out of way if the public were to remind the Government of India to remember the importance of the old adage " Practise what you preach? " Can they not stop military travel to such places in the North as Kashmir from remote places in the South or to such places as Bangalore and Ootacamund in the South from far distant places in the North? Is it also necessary for them to send seamen for a holiday to the heights of Simla from the ports in the South? Are they not aware that a single high official yet reserves a whole compartment on the plea that he has to attend to his work in the train? This scandalous state of things seems to have led the Government of Madras to issue a Press Note and give some wholesome advice to their own officials. The Transport Member must remember that businessmen and citizens also have to travel not only for their own work but they are compelled to travel more in pursuance of the policy of the numerous Departments of the Government of India. They also need rest and comfort as do the officials of the Government and it is, therefore, essential that instead of setting up machinery for a nation-wide campaign for discouraging travel by putting a highly coloured and misleading picture before the public, a campaign which has horrified even the managements of some Railways, they should deal with the situation as practical businessmen and give all the facilities and provide all the comforts which the travelling public need both in times of peace as well as in times of war.

Civil Aviation and National Policy

Let us now turn, for a moment, from the problems of transport on land to those of transport in air. War has brought home to all of us the supreme need of modern life, viz. that any country, which wants to retain and enjoy its freedom and desires to establish cultural, social and economic contacts with other nations in the future, will have to develop and maintain efficient and progressive services, both in the field of civil as well as military aviation. India, thanks to the policy of the Government, has made little progress in this direction.

That policy has been responsible not only for the domination by but even of encouragement of British interests in both these spheres. A very heavy and onerous task, therefore, lies ahead of us. That task consists in the complete removal of British domination and British interests and full establishment of Indian control and Indian interests in all the national and international services which India may run in developing her post-war civil air transport and in building up her Air Force for the purposes of her defence. I need not add that we shall have to be constantly vigilant in this matter which is of supreme and vital importance to this country, in the post-war period.

It is, however, a matter of grave concern and anxiety to all of us that the Government of India persist in their policy of not taking the public into their confidence in regard to matters which might

vitally affect India's position in the field of civil aviation in the post-war period. You are all aware that an important Conference called the Empire Air Conference, was called in London in October last. Despite the strong and unequivocal demand of the commercial community that non-official Indians enjoying the confidence of their countrymen should be sent as India's representatives to that Conference, the Government of India turned a deaf ear to this demand and justified their action on the grounds of constitutional technicalities. In view, however, of the peculiar constitutional position of this country, the official delegations sent to such Conferences might be Indian in name, but in practice they have always been an appendage to the delegation of the Government of the United Kingdom. Britain is thus able, at these International Conferences, to stifle India's voice without losing India's vote. Lord Beaverbrook, who presided at that Conference, remarked that the decisions taken by the Empire Conference were unanimous and they would, therefore, go forward to an International Conference with the joint voice of the Empire. The Government of India, however, refused to disclose the nature of these unanimous conclusions even to the Members of the Central Legislature and pleaded as usual that they were confidential, informal and exploratory. This policy of distrust is to be deeply deplored. Only a couple of weeks ago, Lord Beaverbrook referred to the Anglo-United States talks on the subject of preparing plans for world-wide civil flying after the war and observed that an International Conference of the Allied Governments would be convened for that purpose during the current year. His Lordship added that steps had already been taken in this matter which were in complete accord with the views expressed by the Dominions. No National Government, responsible to the people, could have dared to observe spinxlike silence on matters of such grave importance to the future well-being of the country, but the Government of India, which hardly listen to the voice of the public and rarely take the people into their confidence did not place these important matters or even refer to them before the Reconstruction Policy Committee of Posts and Aviation—all Members of which are nominated by them—held in Delhi on the 21st April. Why, then, continue the farce of consulting the views of such Committees, when the Government do not consider the Members of that Committee worthy of their confidence and when they do not care to discharge even their elementary responsibility of informing them about matters which would vitally affect India's national interests and India's future place and policy in the evolution of plans for national and international aviation?

Government Plan and National Requirements

The plan, which the Government have now been evolving for the post-war development of civil air transport in India, was recently considered by the Policy Committee in Delhi. It is, however, difficult to understand why the plan has ignored the defence requirements

of the country. Just as merchant navy is the second line of defence on sea, so also civil aviation is the second line of defence in air. Just as the development of the navy of defence and the navy of supply goes together, so also civil aviation and military aviation must develop side by side. I, therefore, feel that unless the defence requirements of the country form one of the fundamental basis of the plan for country's activities in the field of aviation, it will not serve efficiently and adequately its true national interests.

Civil Aviation

Looking to the geographical and the strategic importance of India, the vastness of the country, the large distances between its main towns and centres of industries and to the crores of people that inhabit its different provinces, it offers unusually great, attractive and useful opportunities for the development of air transport. We should, therefore, build up a network of internal services, whereby the longest distance in the country can be covered at the most within a day or within a night. We should also secure a fair and adequate share of international services, worthy of the position of a free and independent India of the future and in consonance with our place, position and importance in the East. It is of fundamental importance that not only should all these services be owned and managed by Indians, but they should also be controlled by Indians. No non-Indian vested interests should be allowed to enter this field. The establishment of technical schools for the building up of an efficient force of ground engineers and the provision of adequate facilities at suitable places for receiving training as pilots, so that an Indian personnel of the air may be built up, is quite imperative for the efficient development of aviation activities in this land. We should also recognize that the establishment of an aircraft industry is also essential to the efficient development of the country's activities in this sphere.

Judging the plan recently outlined by the Government from the viewpoint of country's requirements, mentioned above, I cannot help saying that not only does it lack a national outlook, but it also fails to meet the national requirements. Any country that wishes to develop its aviation activities would like its people to become airminded and to develop a love for air travel. The Memorandum, however, states that it is not " planned to force the development of air travel and the air consciousness of the people." No National Government can approach the question in this half-hearted and perfunctory manner. The plan again does not deal with the question of providing facilities either for the training of the pilots or the training of the ground engineers. How do Government expect national or international services to be run by Indians without providing facilities in this country for the training of a personnel for the air? Or is it intended that non-nationals would be imported for that purpose? One of the vital elements for the success and the efficient working of an industry is the building up of a proper per-

sonnel for it. If the Government are, therefore, really anxious to develop the air transport industry in this country, they will have to take prompt and effective measures for providing fullest opportunities and facilities for the training of an air personnel.

Aircraft Industry

The omission of any reference to the establishment of an aircraft industry in the plan is not only significant, but it also reveals the attitude and policy of the Government of India towards the development of vital industries in this country. If war has taught us any lesson, which a country can forget only at its peril, it is regarding the supreme need of developing those industries on which all the three arms of its defence can act and operate efficiently and effectively. Whether the country, therefore, wants to develop services for civil aviation or whether it wants to create and maintain an Air Force for the purposes of defence, the establishment and development of an aircraft industry is absolutely imperative. The pioneer efforts of enterprising Indians to establish an aircraft industry in the country to build civil and military craft was welcomed by the Government. This unique departure of the Government from their traditional policy, in this matter was a mystery even to many of their friends and admirers. The bubble, however, soon burst. The aircraft industry turned into a workshop for repairs and lost its fundamental character. We are told that the number of aircraft that might be required in the future would be so limited that Allied Nations might have to pool their resources and determine their quota for building them. If that may be the correct position and if that is the decision reached at International Conferences, it is essential that the Government of India should fight for securing India's just and proper quota in this direction. If it is not possible for private agencies to establish such an industry in the future, in view of the circumstances mentioned above, the Government of India, if they are really serious in the matter, shall have to realise their responsibilities in this connection and establish that industry on behalf of the State and keep it going as such, so that it might promote national interests in times of peace and protect those interests in times of war.

International Aviation

The most glaring and fundamental defect of the plan, however, is the manner in which it has dealt with the question of India participating in the field of international aviation. No definite lead has been given by the Government in this matter. India cannot remain content with running internal services only. Mere financial interest in international services run by other nations cannot and will not satisfy her. I consider it both India's right and her duty that India should secure her share in the international field, in view of her strategic importance as well as her position in the east and run services in that field which should be really owned, controlled and

run by her own nationals. Such glaring omission of a fundamental character in the evolution of a national plan for India can only increase the anxiety and concern of her people as to how the Government of India would deal with these matters at international gatherings. It is, therefore, not too late, if Government really desire to seek the co-operation of the people that they should announce their policy in this matter and take the country into their confidence without any further delay.

Capital and Control

This naturally leads me to the vital question of capital and control. We are told that it is the policy of Government to develop post-war civil aviation with Indian capital and under Indian management. I do not know whether the absence of any reference to the fundamental point of control in what they have said is due to accident or to design. It is reported that not only was reference made to the commercial safeguards at the recent meeting of the Policy Committee which considered the plan in Delhi, but it has been brought to my knowledge that the Chairman thought that " Britishers " were included in the term " Indians." If this report is correct, and I have no doubt it is correct, British domination in the field of national civil aviation will be as powerful and as oppressive in the future as it has been in the past. We should, therefore, clearly tell Government that nothing less than Indian capital, Indian control and Indian management in the field of civil aviation in the future will satisfy India and that India will never feel reconciled with and will never tolerate the continuation of the old and the establishment of new British or other vested interests in the future in this vital and important field of national activities.

Indians in the Empire

The status and position of Indians in other parts of the Empire have always been a matter of serious concern and anxiety to the people of this country. No one, however, expected that at a time when Indian soldiers were shedding their blood for the protection of the Empire and the welfare of the people living therein, their own nationals would be deprived even of their existing rights and that new conditions leading to additional sufferings and humiliation would be created for them by some of the Governments constituting that very Empire. It has been admitted that Indians were invited to these several parts of the Empire, whether it was South Africa, or East Africa, whether it was Ceylon or it was Burma, for assisting the people of those lands in building up their national activities and economic prosperity. Apart, therefore, from the rights of British citizenship, to which they are entitled, when they go from India to other parts of the Empire, the services which they have rendered in the material and economic development of those countries impose a moral obligation both on the Governments and the peoples of those lands to accord them the rights as citizens and extend to them

a fair and just treatment as their equals. British citizenship has, however, not carried for Indians in several parts of the Empire its rights and privileges, but it has always meant for them bearing burdens and undergoing sufferings.

(A). Pegging Act

The Trading and Occupation of Land (Transvaal and Natal) Restriction Act of 1943, popularly known as the Pegging Act, the passing of which raised a wave of universal indignation and protest in this country forbade the Indians to buy or occupy any house in several areas of the different Provinces of South Africa. This statutory discrimination against Indians and their segregation to less attractive parts of Natal and other places has not only heaped economic losses and unjustified humiliation on our nationals in that country, but it has justly been regarded as an affront and insult to India's self-respect. While the Government of India have no doubt shown their sympathy with the Indian people in this matter, they have been able to do nothing either to secure justice for them or redeem their honour. They had not the courage to take any retaliatory measures against South Africa, although the public had demanded such measures emphatically and urgently. It is true that with a view to find an alternative method of controlling the occupation of dwellings in towns and boroughs in Natal to that adopted under the Pegging Act, a Board consisting of two Indians and two Europeans with a third European as Chairman has been appointed, but the Pegging Act is yet not withdrawn and continues to remain in operation in several parts of South Africa. Indians often receive unsolicited advice from politically interested quarters that they should cultivate the art of becoming realists and appreciate the value of compromise in human life and human affairs and be sober and moderate in their demands even when justice is entirely on their side. Such unsolicited advice has been given to them in this matter also and messages have come even from Delhi that Indians should be jubilant over this new turn of affairs in South Africa. We should, however, wait and watch. While there has been a protest against this new move from the Whites of South Africa, several Indians in South Africa are not satisfied with it at all. The larger questions of franchise and civil freedom, which would enable Indians to live on terms of equality with Europeans remain entirely untouched. Indians would, therefore, well be advised to appreciate the warning of the Right Hon. Sri Srinivasa Sastry that the recent move may only be a face saving device and that voluntary segregation may ultimately prove to be as bad or even worse than the statutory segregation of our nationals in that country. The manner in which colour prejudice has found expression in that country and the attitude which has been adopted in this regard by Field Marshall Smuts and Prime Minister Churchill cannot inspire in us the hope that Indians who have been considered the equals of Europeans on the battle fields will be considered and treated as their equals in civil life.

(B). East Africa

The recent regulations which have practically prohibited the entry of Indians into East Africa—enforced in Tanganyika on February 14th and Uganda and Kenya on 1st March—have not only perturbed the Indian community throughout East Africa, but have also caused grave anxiety to the people at home. It was only on the 6th April that the Council of State passed a unanimous resolution calling upon the Government to take immediate steps to secure the withdrawal of these regulations. It has also been shown that the grounds of food and housing shortage advanced by the Colonial Governments in support of these regulations are quite misleading and that, as pointed out by the Deputation which recently waited on Dr. Khare, these emergency regulations were " only a cloak under which the real intention of the European settlers is camouflaged, namely to keep the East African territories exclusively for the European population as far as they possibly can." This view of the non-official Indians finds unusual confirmation from the observations made by Mr. Bannerjee, the Secretary of the Commonwealth Relations Department that it was possible that there was more in these regulations than met the eye and that the large number of Indian representatives who had contacted the Government officials were no doubt in a better position to read the trend of events in the Colonies and perhaps they had a better perception of the inwardness of this measure. And yet we do not know what action the Government have taken or propose to take to enable our nationals to return to those Colonies from which they were asked to proceed to India at the request of those Governments. This continuous humiliation to which our nationals are subjected in several parts of the Empire not only embitters our feelings against those Governments, but leads the people as a last desperate resort to demand the adoption of retaliatory measures. Churchill may have not been appointed the first Minister of His Majesty's Government for the liquidation of the British Empire but surely he has not been appointed as such for promoting disruption among its members by allowing some of them to adopt such unjust, unwarranted and humiliating measures against others.

(C). Ceylon and Burma

I do not wish to refer at length to what is happening in Ceylon and what measures the Government of Burma have been contemplating to adopt against Indians, when Burma is reconquered with the help of India and the Indian army. I must, however, invite your attention to the anxious situation which is developing for our people living in a country separated from India by a patch of water extending over less than twenty-five miles. While emergency regulations in Ceylon have been utilised to deprive a large section of the Indian people of their normal occupations—occupations in which they have been engaged for a number of decades—they have not been given even an opportunity of expressing their views in connection with the

new scheme of constitutional reforms. While all other minorities in Ceylon have been consulted in regard to the questions relating to the coming reforms, it is inexplicable as to why Indians alone should have been excluded from such consultations.

Some of the Burmans enjoying the hospitality of this country have been telling us that the new Arcady of Burma will be built up with the co-operation of the Burmese and the Britishers. Indians, who have done so much for the economic prosperity of that country, will perhaps not find any place in that Arcady of the future. I understand that more stringent measures than those contemplated by the Government of Burma under the last immigration agreement are likely to be adopted for the prevention of Indians entering the post-war reconstructed Burma and that while Indian soldiers are shedding their blood for conquering that territory for the Burmans, the Government of Burma are actually carrying on negotiations with the Government of India for denying the Indians the right of entry and the other rights which they have been guaranteed under the Government of Burma Act. While we welcome the expression of opinion of the Honourable Member in charge of the Commonwealth Relations Department that the last Indo-Burma Agreement had been made in haste and while we share his hope that there would be no difficulty in reaching an understanding with Burma on matters affecting the rights of our nationals, we would most earnestly appeal to him that he would not and should not surrender on the fundamental principle that Indians in Burma should enjoy the same rights of free entry as the Britishers have enjoyed in the past and would enjoy in the future. The Department of Indians Overseas has now been designated as the Commonwealth Relations Department. I do not know whether India is a Commonwealth or not, but I do know that her wealth has been claimed as a common wealth for all. If, however, the new designation, viz., the Commonwealth Relations Department really means the enunciation of a new policy and the acquisition of new power and if the Honourable Member is allowed by the Government of India to carry on his activities in that spirit, he will, no doubt, be able, as so often promised by him, to vindicate the honour and self-respect of Indians in South Africa and other foreign countries and to secure for our nationals in those countries not only just and proper rights as human beings but also fair and equitable rights as citizens living in those lands.

Speech of Mr. Pranlal Devkaran Nanjee, President, Indian Merchants' Chamber, at the Second Quarterly General Meeting, on Thursday, 10th August, 1944.

GENTLEMEN,

The report of the work done by your Committee has been circulated to Members through our *Journal*.

Before I begin my remarks on the political situation and other questions, I should like to thank the Government of India for the manner in which they responded to our suggestions for compensation with regard to the explosions that occurred in the Bombay Docks in April last; but unfortunately, Government have in their scheme made a differentiation as between insured and uninsured losses and have not agreed to give full measure of compensation to the latter class of losses.

Political Situation

The second quarter of our Chamber, ending with 30th June 1944, gave some new developments to the present-day Indian political situation. The stern and unbending refusal to release Mahatma Gandhi and other political leaders persisted till the 6th May, when Government released Gandhiji on account of the serious condition of his health. Since his release, through his indomitable will-power and the treatment and care of his medical advisers and friends, and by the Grace of God, Mahatmaji has nearly recovered from his illness to continue to lead his countrymen in the hour of distress and uncertainty. Sometime after his release, Gandhiji addressed statesmanlike letters to His Excellency the Viceroy, who did not relent, but went to the point of saying that if Gandhiji had any constructive proposals to make he might write to him again.

These constructive proposals have not been put forward in an interview he gave to Mr. Gelder, correspondent of the *News Chronicle*. There emerged from this historic interview seven fundamental points which Gandhiji emphasises as his reaction to the present political impasse and deadlock. He makes it clear in the first place that he will never start the civil disobedience movement even after the war unless for a grave reason such as the thwarting of India's right to be free. He wants a National Government during the war, with full control of the civil administration composed of persons chosen by the elected members of the Legislative Assembly. The Viceroy according to him would be like the King of England guided by responsible Ministers, while popular Governments would automatically be restored in all Provinces. The Cripps proposal broke down owing among other reasons to the uncertainty regarding the powers of the Viceroy and the Commander-in-Chief while the war was going on. Gandhiji makes it clear that under National Government the Viceroy and the Commander-in-Chief would have complete control of military operations. There would be a portfolio of Defence in the hands of the National Government, which would be genuinely interested in the Defence of the country and render great assistance in the shaping of policies. The Allied forces would be allowed to carry on operations on Indian soil and the expenses of such operations would not be borne by us. Lastly, Gandhiji would advise Congress participation in the National Government if formed. Surely, these seven points make it clear to all but those who have a prejudiced vision or who do not wish, under

one pretext or another, to grant freedom to India that Gandhiji has taken the Viceroy at his word and submitted what His Excellency wanted, namely, constructive proposals. Mr. Amery, with whose consistent and utter lack of sympathy we have all been but too familiar, does not take them to be so. He observed in his speech in the House of Commons that they do not afford even a starting point for a profitable discussion with the Viceroy or with the interned Congress leaders. If this is the spirit in which Gandhiji's honest, sincere and statesmanlike gesture is looked upon by the spokesmen of the British Government, one is constrained to deduce that there is little real desire on their part for the deadlock to be removed or for an Indo-British rapprochement. Unfortunately, even after the long way that Mahatma Gandhi has gone in making these proposals which are so very revolutionary in character, the British spokesmen and their representatives here do not seem prepared to move at all. Abuses and vilifications are resorted to when one has a bad case. The speech of the Master of Eilbank was perhaps an instance of this old adage. That there should be such speeches in the House of Lords and that all sorts of ugly names should be called for a trusted national leader like Gandhiji, who is the idol of millions of his countrymen, shows their complete absence of sympathy so far as India is concerned. One wonders whether the sort of language which was used for the Indian national leader would have been used with impunity, in case of a national leader of any of the self-governing Dominions or the Allies.

The British statesmen fall back upon the communal differences when they have no other excuses to offer. Gandhiji has evolved a communal formula, which is at present being keenly discussed by different sections of public opinion in the country. The British statesmen have often repeated their old cry that there will be no hitch in the way of India's political development provided the two parties agree. But if there are any signs of Hindu-Muslim rapprochement, the poser is put forward by some of the British papers " What about the other minorities? " and efforts are made to find out the points of difference rather than the points of agreement. No efforts are made by Government either here or in England to draw the two parties together, not even any helpful suggestions. The Hindu-Muslim unity is a very important factor in the political development of the country, and let us hope that handicaps and hurdles will not be placed in the way of a settlement.

One cannot understand why if the Government of India are genuinely anxious to see the political deadlock settled, they should still refuse to allow Gandhiji to see Members of the Working Committee. Some of the foremost minds in the political sphere of the country, whether they belong to the Liberal, Congress or the Muslim League camp, have urged that looking to the re-orientation of the policy of Gandhiji, no objection should be raised by Government regarding such a meeting. This persistent refusal by the Government to permit such a meeting leads one to think that Government do not

want a political settlement. Gandhiji's definite, clear and emphatic announcement in his interview should have convinced by now his critics and enemies that the Government of India or whosoever was responsible for the publication against him of the so-called Government case was entirely drawing a red-herring across the trail. The hand of friendship could well have been extended by the British Government to Gandhiji who promises co-operation of the most active character in the war against the Eastern enemies. The plainest duty of Government, even in the interest of war effort, is to set up a National Government at the Centre, restore Provincial Governments in all the Provinces, which are now ruled under Section 93, and give a definite and unequivocal undertaking endorsed by His Majesty the King-Emperor that India will be granted independence at the end of the war.

Recent utterances of British politicians indicate that they appear to think that economics will play an exceedingly important part in the future problems of India and that the economic problems will take the front place in the political discussion. What is evidently working upon their minds is the Rs. 10,000 crores 15-Year Plan, recently prepared by some of our eminent industrialists upon which much attention has been focussed in this country. These British politicians see in this a deflection of the Indian mind from politics and the lessening in the influence of Gandhiji, and that if the British policy was switched on to one of economic betterment rather than one of political development it might serve to appease the people for a time. It is a case of the wish being father to the thought, and sooner they are relieved of this illusion, the better. I am quite sure that businessmen all over the country are definitely of opinion that there will be no solution of India's troubles without the political solution. In this connection, I am glad to note that some of our foremost industrialists have lost no time in giving a clear and unambiguous reply to these British friends. Thus Mr. J. R. D. Tata said: " If the policy of the Government is what is suggested, I would regard it as most unfortunate. Despite my enthusiasm for economic planning, I regard the issue of Indian independence as one overshadowing all others and as pointed out in the ' Plan of Economic Development ', which some of us have prepared, only a National Government can put through any large scheme of economic development." Mr. Tata has also pointed out how Sir Ardeshir Dalal had made his position perfectly clear and how Indian commercial and industrial organisations also had made their position clear on this point. Sir H. P. Mody also has similarly remarked : " Judging from the reactions in certain quarters in Great Britain and India to the recent statement of the Mahatma, some people seem to have a funny idea on the nature of a settlement." He said further on : " If the British Government really think that India will accept economic development as a substitute for self-Government, they are making another of those profound mistakes which had proved disastrous in the past." Similarly, Sir Purshotamdas Thakurdas has said : " We have made it abundantly

clear in our report that the National Government which we contemplate is a Government which enjoys sufficient popular support and is representative of every important section of political opinion in the country." Merchants and industrialists all over the country are actuated and inspired by the ideal of political independence and firmly believe that without political independence any plan for the economic betterment of the country will be unable to bear fruit.

The Swadeshi

It is but fitting and appropriate that, after dealing with the political situation, I should deal with the *Swadeshi*. The war has given an impetus,—I should say a great impetus,—to the *Swadeshi* in practice. What years of propaganda and preachings did not achieve, was achieved by the war which has been raging for the last five years, in both the East and the West. India has been the main headquarters of the Allied troops and operations against Japan have been undertaken and are going to be undertaken from this country. Not only that, but India supplied to the Middle East, and even some of the main Allied armies, thousands of articles, both large and small, which fighting armies in these modern times require. Munitions are only a part of the commodities supplied by India. Cotton and woollen textiles, foodstuffs, oilseeds, leather goods, transport, drugs and chemicals,—hundreds of thousands of tons,—all these were also supplied, and India bled herself while sending these articles for the vast Allied armies. For the while, India became, it must be said, a self-contained unit; there were practically no imports during the war period. Many foreign articles were not available, and even at the European shops the position was: "Either take the Indian-made article, or do without one."

I am not inclined to the view that India has become a gainer, an economic gainer, through the war. Perhaps, when a final Balance Sheet will be drawn out, as to whether India has gained or lost through the war, the correct result will be known. I do not believe that any country can gain through bloodshed. What I am here trying to point out is the reactions of the economics of India to the demands made upon her by the war operations. India may have become a self-contained unit during the period of the war; but what we are concerned with is whether she is going to remain a self-contained unit even after the war is over. It is this what we are anxious about, and what we have to be anxious about. At the close of the last Great War, it was soon found out that whatever India had gained during the war period was lost during the after-war period. There were scores of new industries started during that war, but all those industries were lost taking away a good deal of the people's wealth. During this war, the old-established industries have been working to their fullest extent, and several new industries have been started, both cottage and large scale; and yet the apprehension is that this industrialisation may disappear, when the war is over. Surely, if we cannot do anything else, we must see to it

that this apprehension does not become a fact, that both the old-established industries and new industries do not suffer and are pushed forward with all the moral and material strength in our power.

For this purpose, two-fold effort is required. The public, or consumers, owe it as their duty to support by all possible means in their power, products manufactured in the country. This cry and appeal are being made since the time of the *Swadeshi* Movement. It does not redound to our credit that even though almost half a century has passed, appeals are still found to be necessary for patronage of and protection to the *Swadeshi* industries. The indigenous manufacturers also owe it as a duty that they turn out true and genuine Indian products in a thorough, honest and scientific manner at reasonable prices, profiteering is not indulged in, and the quality of the stuff is not allowed to deteriorate. If we have successfully to withstand the foreign competition in the time to come, it is essential that these fundamental requirements are not lost sight of.

We all naturally wish that what we require should be " Made in India " and be purely *Swadeshi*. When Lokmanya Tilak started the *Swadeshi* Movement, he declared : " Remember that each time you buy a Swadeshi article, you put a piece of loaf in the mouths of your countrymen." If this spirit of Swadeshi will remain constantly in our minds, if our self-respect will feel wounded so long as we are dependent for our manufactured articles upon foreign countries, if we shall strive to give concrete and constructive shape to these sentiments by rendering the industrial development of our country whatever help it is in our own power to give and if we will devote more attention to industrial enterprises than to middlemen's and speculative business, then we shall come nearer and nearer the attainment of the Economic Swaraj of our country even without extraneous help. With National Planning and adequate Government help, we would of course reach the goal much sooner.

The period of post-war reconstruction will require our best efforts, and it is my firm conviction that more than anything else it will be our spirit of " *Swadeshi* " that will carry us over the hurdles in our path.

Indian Banks' Association

This is the age of Associations. Individuals, firms or companies, however powerful they might be, should form themselves into Associations in order to get their objectives and to have their complaints and grievances redressed. The history of the Chamber, from its beginning upto now, demonstrates the truth of this vital principle, as we have seen so many different trades organising themselves into Associations for their collective good and development. It was, however, curious that Banking, which forms such a large business by itself and which consists of merchants, businessmen and bankers of no mean intellectual order, should have gone on without a

representative Association of its own. Several Bankers in the City were considering seriously this lacuna and trying to form a regular Association of their own. These efforts, however, did not come to much. Some of us, therefore, thought that it would be better if the Chamber gave a lead in this direction, and a meeting of representatives of the Indian Schedule Banks in the City was arranged and called by me as the President of the Chamber. It proved a success and representatives of most of the Banks attended it and welcomed the suggestion of having a Banking Association. A Provisional Committee, with Sir H. P. Mody as Chairman, was appointed to draft the constitution. No more suitable person could have been found for such a task. Having been the Chairman of the largest commercial Bank in India, and also having been associated with the biggest industrial concern, and having ably sponsored the Bombay Millowners' Association as its President for a number of years, and having been prominent in public life, as also filled the highest Government post, Sir H. P. Mody is, I think, the fittest person to take up the burden and responsibility of such a work. I am quite hopeful that before long an Indian Banks' Association will come into being under his able leadership. Banking will be of supreme importance in the coming period of reconstruction, and we cannot afford to neglect its growth on the right lines, as much in its own interest as in the interests of our trade, commerce, industry and agriculture. This endeavour to form an Indian Banks' Association and through it to organise Indian Banking so that it may be of great use and service in our country's economic development is, therefore, not a day too soon, and I am very glad that the same has been welcomed all over India.

Speech of Mr. M. A. Master, Vice-President, Indian Merchants' Chamber, at the Second Quarterly General Meeting on Thursday, 10th August 1944.

MR. PRESIDENT AND GENTLEMEN,

The President has dealt very fully with the most burning question of the day, namely, the present political situation. I, therefore, propose to say a few words in connection with some other vital questions which are also now engaging the attention of the public.

ESTABLISHMENT OF VITAL INDUSTRIES—OPPOSITION FROM GOVERNMENT

2. It is universally recognised that the industrial development of India in all directions is not only necessary for the attainment of a balanced national economy, but is also quite essential for ensuring a better standard of living for her people and for increasing the prosperity of the country. While the Government of India have empanelled freely and fully the services of industries, already established in the country, in the active prosecution of the war, and

while a few industries established during the war have met the needs of the United Nations and have thus promptly and effectively aided their war efforts, it is a matter to be deeply deplored that every attempt to start new vital and key industries by the nationals of the country—so essential for the success of the war—has, instead of receiving the active help and encouragement, been thwarted by the policy which they have followed in this matter. For instance, all the preliminary and necessary steps were taken by enterprising Indians to enable them to build ocean-going ships in Indian yards. The cry had gone forth from all quarters that what they required was ships and more ships. The Government of India have, however, not allowed the Indian yard even up to this day to build even a single ocean-going ship. Negotiations for the establishment of an automobile industry had almost reached the final stage. As you all know very well, the Government did not consider the starting of that industry necessary for war effort and the negotiations, therefore, broke down. After continuous efforts, an Indian aircraft company was started in Bangalore in 1941. It was agreed that it should build bombers, fighters and trainers. Despite the promise of the Government that they would help that Company in building such craft and despite the announcement made by Sir Jeremy Raisman, the Finance Member, in his Budget speech in 1942 that " the factory will complete its programme of fighter and bomber construction before the end of the present calendar year ", that Company was turned into a repair shop before a single aircraft could be built. Demand has been made by a number of companies that they should be allowed to manufacture power alcohol from molasses. This would have considerably helped the running of essential vehicles, relieving the situation created by the shortage of petrol. Machinery and plant required for that purpose were however not allowed to be imported and it is common knowledge that the vital interests of the country had to be sacrificed to allow the oil companies to hold the field undisputed and unchallenged.

Canada and Australia start New Industries in the Midst of War

8. The exigencies of the war have been advanced by the Government in justification of their policy in this matter of supreme importance to the future development of the country, so essential for the uplift, welfare and prosperity of her people. These very exigencies of the war have, however, not prevented other parts of the British Commonwealth, such as Australia and Canada, from starting and developing new industries in their countries. The reason is that they have a National Government, who think in the terms of the welfare of their own people and the prosperity of their own country. They do not strive to safeguard non-national interests, as the Government of India have been doing, and they do not sacrifice the interests of their own people. Interests of the nationals first, and interests of the nationals last, has been their motto and their policy

of action. Canada had no ship-building industry before the war. She built, however, last year over a million tons of shipping. Australia had no aircraft industry worth the name. Today she builds the most modern types of aircraft. Even in the midst of war, she developed this industry so fully that it led Sir Walter Layton to characterise its progress and performance as incredible. These countries, having National Governments, do not consider it their duty to stifle the establishment or growth of vital industries in their land for enabling them to play their part during the war. On the contrary, they take the far-sighted and patriotic view that such industries will serve effectively the cause of the United Nations while the war is on and will add substantially to the wealth of the country when the peace returns. Had the Government of India allowed similar industries to develop in this country in time, there can be no doubt whatsoever that not only would they have played a far greater and far more effective part in overcoming Axis aggression, but they would have also greatly helped India in her onward march towards all-round industrialisation.

TAXATION POLICY—PREJUDICIAL EFFECT ON INDUSTRIES

4. Disheartening as has been the policy of the Government of India which has prevented the establishment of new vital and key industries in the country during the war, it would have been some consolation had they allowed, if not encouraged, the existing industries to build up their strength and reserves and taken no steps which might militate against their ability to grow and develop in the future. Let us examine, for a moment, what the Government have actually done in this connection.

5. I concede that it is necessary for the Government to find the money that they need for the prosecution of the war. They can raise this money either by fresh taxation or by further borrowing or partly by one and partly by the other. It will, however, be recognised that the policy of taxation should not be such as would deprive the industries in the country—particularly those which are struggling to establish themselves—of the fresh blood and vitality, which they so badly need, for their effective preservation and healthy expansion. The excess profits tax, coupled with the increase, since the outbreak of the war, in the rates of income-tax and corporation tax have in several cases deprived industries not only of the cent per cent of any extra profits that they might have made, as a result of the war, but have even made further serious inroads on the standard profits of some of them which they were making before the war broke out. We are often told that industries in Great Britain have been bearing without complaint these heavy burdens of taxation, as they realise that the war has to be won. The implication is that Indian industries are not patriotic enough to contribute their share to the joint efforts made by the United Nations for the final victory. Such criticism ignores completely, I regret to say, the fundamental difference between the position of

the industries in Britain and that of the industries in India. British industries have been stabilised and fully developed. Indian industries have not only not been fully developed but several of them are still struggling for existence. British industries have built up their reserves and developed their financial strength. Indian industries have not only not been able to build up such reserves, but several of them have also been passing through the ordeal of securing their financial equilibrium. British industries have developed their assets out of their profits. Indian industries, as a general rule, have not been able to do so. The assets of British industries are several times more in value than the amount of their capital. The assets of Indian industries are in several cases hardly more in value than their original capital. It is, therefore, obvious that the earning capacity and the staying power of British industries are far more enduring and effective than those of the Indian industries. No impartial man can, therefore, deny that burdens of taxation which British industries can bear with ease will only serve to crush several industries in this country. It is, therefore, essential to remember that the fundamental principle which should govern the policy of taxing industries is their capacity to bear its incidence. Every sane man will, therefore, agree that the demand for the revision of the present policy of taxation of the Government of India for this purpose does not betray any lack of patriotism but is only an expression of robust commonsense born of the anxiety to ensure India's industrial future.

How British Government help British Industries

6. The solution of the problem of the immediate modernisation and re-equipment of Indian industries and their future expansion on sound financial lines has been, therefore, naturally causing us all, serious anxiety. Here also the inaction, if not indifference of our Government, is in striking contrast to the sympathetic solicitude which the British Government have been evincing for assuring the future of British industries. The Chancellor of the Exchequer but recently told the British industrialists that " industry is entitled to know where it stands, and there is, in my judgment, a very definite contribution which taxation policy can, and should, make to the problems of reconstruction ". He further assured them that they would take such measures as would give " industrial enterprise a fair chance to meet the challenge which the future holds for all of us ". He also announced that in addition to the post-war credit of 20 per cent of the amount of taxation paid, industries would be given a special initial allowance of 20 per cent of the cost of new plant and machinery. Is it, therefore, too much to ask the Government of India that they should let the Indian industrialists know where they would stand in the future and what assistance they would receive from them to enable them to solve the problem of their re-equipment, reconstruction and future expansion?

WILL INDIAN GOVERNMENT HELP INDIAN INDUSTRIES?

7. In view of the comparatively weak financial position of several industries in the country, measures on a far more liberal scale than those adopted in Great Britain will have to be taken to further the cause of industries in this land. The small post-war credit of 6.2/3rd per cent of the E.P.T. paid will not, in several cases, be sufficient even to preserve their staying power. They will have, on the other hand, to incur vast expenditure to carry out their programme of replacement and re-equipment even to reach the normal standard. It will be impossible for them to do this with their present meagre and limited resources. Unless these industries carry out early and effectively their programme of replacement and reconstruction, their future is bound to be very uncertain. The Government of India, let us hope, will not even at this late hour fail to realise their duty to the country and follow the precedent set up by the British Government and announce at an early date that they will give these industries substantial allowances either from the taxes paid by them or in any other form that may be considered equitable, to enable them to meet successfully the present situation which no one will deny is hardly satisfactory. This is the least that the Government should do to meet the legitimate claims of the Indian industries.

PRESENT IMPORT POLICY SHOULD NOT SACRIFICE INDIAN INDUSTRIES

8. While the policy of taxation has been thus affecting the economic position of Indian industries and weakening their capacity to meet even their immediate post-war requirements, the present import policy of the Government of India, I am afraid, is likely to weaken their staying power and impair their competitive strength. The Government have stated that consumer goods are imported now in large quantity to make them available for civilian consumption and to reduce the prices at which they are sold at present in the markets. They have further informed us that there is not one commodity imported by them which would adversely affect the Indian industries and have assured the public that care was taken to see that commodities imported were either such as were not produced in the country or were produced in very small quantities. If these principles are actually observed in the importation of civilian goods, no one can have any serious objection against such imports. But what are the facts of the situation? Here also we labour under a serious disadvantage. Whenever we have requested the Government to furnish us with the statistics of the commodities imported, we are told that the information asked for cannot be given in the interests of the public. It is however common knowledge that nearly 11.7 million yards of cloth was imported from the United Kingdom. Is there any justification for this import when cloth is actually exported out of India in large quantities? Moreover, heavy chemicals, like sodium sulphate and zinc chloride, etc. have been imported as goods for civilian consumption while it

is well-known that they are or could be manufactured in the country in sufficient quantities to meet the country's requirements. Industries such as the manufacturing of bobbins and shuttles have been specially started during the war. Without their help, both the textile mills as well as the jute mills would have found it extremely difficult to keep themselves continuously working. Instead of allowing such industries to increase their production by providing them with facilities for the import of machinery, spare parts or raw materials which they badly need, the Government of India have been importing the finished products. It is not difficult to realise how this policy has been seriously affecting the staying power and the future prospects of these industries which have made their own contribution to the war effort. The policy of importing such goods and allowing them to be sold at lower prices is bound to put Indian industries, particularly those which have been started during the war, in a precarious condition.

ASSIST EXISTING INDUSTRIES AND ENCOURAGE NEW INDUSTRIES SAYS CONSUMERS' COUNCIL—WILL GOVERNMENT RESPOND?

9. It is regrettable, though significant, that the Government have not considered it fit to consult the representatives of the industries concerned to find out whether the supplies of the commodities, which they proposed to import, could be increased by local manufacture, and if so, what steps could be immediately taken to step up production. What the industries really ask for is simply this. Industries engaged on the production of consumer goods should be deemed to be a part of war effort of vital importance at this juncture and they should be given all facilities for the imports of machinery and spare parts, to enable them both to maintain as well as to expand their production. It is, therefore, essential that such civilian goods alone should be imported which, having regard to India's resources and capacity, both existing and potential, cannot be manufactured within the country and in cases where these articles are manufactured in the country, their import should be limited to the deficiency in the local production, after having taken all the steps necessary for increasing the same. I welcome in this connection the resolution which was unanimously passed last month by the Consumers' Council appointed by the Government of India that

> 'to increase the supply of consumer goods the policy of giving assistance to existing industries should be vigorously pursued and that the establishment of new industries should be encouraged.'

Although there can be no justification for not inviting the representatives of the industries for participating in the deliberations of this Council, the Government have a splendid opportunity to convince the country that their policy is to practise what they profess, if they would take early and effective action on the above unanimous recommendation of their own Council consisting solely of the representatives of the consumers' interests.

MANUFACTURE OF ARTIFICIAL FERTILIZERS AND ALL WHITE MISSION

10. I shall now refer to some of the recent activities of the Government which are likely to prove to be a serious menace to India's industrial development on national lines. The manufacture of artificial fertilizers in India is of supreme importance to the better yield and more intensive development of agricultural products and food supplies in the country. There can be no objection in principle to the Government of India seeking the advice of foreign experts in connection with the raw materials that might be available for this industry, the best method of manufacture that could be adopted in its working, and the most suitable places where it could be established in India. I must, however, strongly protest against the non-association even of a single Indian Chemist or a Chemical Engineer of repute to participate as a member of equal status, in the work which is entrusted by the Government to this all white alien Mission. It cannot but cause grave concern to all of us, when we find that the vital work of shaping the future industrial policy of India even in the matter of basic and key industries of the country is entrusted to foreign Missions alone, coming to India one after another,—Missions which often consist of people vitally interested in the industries on which their advice is sought. They will obtain a wealth of very useful and confidential information and will come to know a number of complex circumstances and difficulties in regard to the working of Indian industries which knowledge is denied to the nationals of the country. The deliberate exclusion of capable and competent Indians from this important work, vitally affecting the future of the country, is not only not justifiable on any ground, but I am afraid it is also likely to create unending difficulties in the way of India developing her national economy and obtaining her political independence.

WHO WILL CONTROL BASIC INDUSTRIES—NATIONALS OR ALIENS?

11. It is a matter also of supreme importance to the development of national economy in India that her industries should be owned, controlled and managed by the nationals of the country, particularly the key and basic industries, like that of manufacturing artificial fertilizers. Bitter experience has taught India that it is and will be suicidal for her to allow any new British or foreign vested interests to be created now in the country by giving them financial interest, control or management of India's industries. India has realised to her cost that such outside economic penetration and exploitation is not only detrimental to the building up of her economy, but is also seriously prejudicial to her march towards political freedom. Reports, however, have been persistent that the most powerful British combine, the Imperial Chemical Company, is to be entrusted with the work of running this new industry in India. Responsible people have made statements to the effect that these non-national interests are likely to be invited to be part owners of the industry. At a Press Conference, in May last, the Hon'ble

the Supply Member had informed the public that the manufacture of these artificial fertilizers was going to be under the control and management of the Government. In a recent speech at Madras, he, however, made a statement that the Government were not committed either in respect of capital, control or management in connection with this industry. It is difficult to understand what the real policy of the Government is going to be in this matter and what steps they propose to take in connection with the capital, control and management of this industry in this country. As the matter stands today, the statements made by the Government spokesmen are, I am afraid, not going to allay the serious apprehensions which have been entertained by the Indian commercial community in connection with this vital matter. Moreover, the Government have not given any reasons as to why they do not propose to allow private Indian enterprise to run this basic industry at present.

Danger that lies Ahead

12. The Hon'ble the Supply Member has stated that after the first 860,000 tons had been produced and distributed under Government control and management, possibly " private enterprise would step in and take over production ". He has not clarified whether " private enterprise " would mean the Imperial Chemical Company. In view of the past history of the Imperial Chemical Combine, its pull with the British Government and its practical monopoly for the manufacture of explosives for the United Kingdom, I am afraid the widely felt apprehension in the country will become a stern reality and we find it a *fait accompli* that this private company will be no other than the Imperial Chemical Combine. It is well-known that the manufacture of sulphate of ammonia is closely connected with the preparation of explosives and one wonders if that is not the real and ultimate reason for not allowing private Indian enterprise to be associated with the industry from its very start. In an illuminating Memorandum published last month, Sir Padamji Ginwala clinches the issue and reminds us of the great menace with which we are faced. He remarks :—

> " But sulphate of ammonia happens to be a nitrogenous product closely associated with explosives. The manufacture of these is in Great Britain the sole, and in other parts of the Empire the partial, monopoly of this Company (Imperial Chemical Co.). This may be a powerful factor in influencing the Government to hand over a similar monopoly to that Company in India. It, therefore, should not be a matter of surprise, if after the war the Government found it expedient on the ground of economy, or for some equally plausible reason, to transfer the plant to this company as the Billingham Plant was transferred after the last war. No country in the world with even a semblance of independence can leave the manufacture of its explosives in other hands than its own, consistently with its political interest or its prestige, its military safety or its obligations."

There lies the danger to India's industrial future. There lurks the menace to India's fight for political independence. We shall have to be ever vigilant and do our utmost to prevent either the ownership, control or management of this industry passing into the hands of the Imperial Chemical Combine.

13. The development of this industry is not only, therefore, essential for the economic welfare of India, but it is also imperative for the purposes of national defence. Both economical and political considerations, therefore, make it incumbent on the Government to ensure that a basic industry like this is run by the people of the country. I would, therefore, most earnestly urge upon the Government of India to make a clear declaration of their policy on this subject and to assure the country that, under no circumstances, foreign or British interests will be permitted either to control or manage the industry or to acquire a share in it and thus create new vested interests within this country. Such fresh vested interests will only forge further political fetters for us and will seriously militate against the freedom of India to produce and control her own weapons for her own defence.

CONTROL OF CAPITAL ISSUES—ITS EFFECT ON LONG-RANGE SCHEMES

14. Let me now consider, for a moment, how the Control of Capital Issues inaugurated by the Government of India from May 1943, is bound to have a prejudicial effect on our long-range schemes for industrial development. While I am prepared to concede that the rigorous and unwarranted conditions connected with the Control of Capital Issues in its earlier stages have been somewhat relaxed since April last, the new stipulations which the Government of India have laid down in connection with the release of capital now raised and to be invested in Government securities give rise to so many uncertain and complex factors that it naturally raises serious doubts and anxiety in the mind of the industrialist regarding the possibility of putting into operation long-range schemes and their successful working. While before April 1944, the raising of capital for long-range schemes was allowed to be issued only if their promoters had evolved definite plans regarding the working of their scheme and had carried on negotiations up to a certain definite stage with the suppliers of machinery, the Government have now announced that they will allow Issues of Capital for such schemes even if such schemes are still in an indefinite form. I am sure you will agree with me that this is no concession to Indian industries. It is only an act of elementary justice. It is impossible for any industrialist, under the existing war circumstances, to present the Government of India with any scheme with such definiteness as the Government may require. However, I cannot but deplore the fact that the revision of the Control of Capital Issues for a long-range scheme is coupled with such further restrictions as will not only deprive the industrialist of any freedom that he may have at present to develop and perfect his plans but will also leave him completely

at the sweet mercy of the Government as to whether he will be allowed to work his scheme at all or will be compelled to withdraw his scheme altogether. The Government have issued a warning that the industrial plan in India may compel them to lay down regulations and restrictions for the working of certain industries in the post-war period. They have warned the industrialists that the collection of capital by any company at present will not create any vested interest in its favour entitling it to claim exemption from any such regulations and restrictions. Such a company will not be able to claim any special priority, when the time comes for the release of the invested capital. Moreover, no part of the capital raised and invested in the Government securities will be released until Government are satisfied that the time has come to make corresponding payments for purposes which are consistent with the enforcement of any measures of control or restriction that may be in operation at the time, when such release is applied for. The cumulative effect of all these restrictions, unforeseen or difficult to foresee, will be that the industrialist, who raises the capital today will not know whether he will be able to start the industry, for which the capital is collected. It will be difficult for him to gauge when he would be able to build his factory. He cannot foresee where it would be located. It will be impossible for him to decide whether he should carry on negotiations for the import of machinery because he would not know whether he will need to import the same or not. In short, he will not be even certain whether the capital invested by him would be released in time, even if he were asked to give up his scheme and pay back the capital collected for it.

Request to Government to declare their Policy about Post-war Schemes

15. It is difficult to reconcile the professions of the Government to help the industrialisation of this country with its practice, which makes it impossible for those who contemplate the starting of industries in the post-war period to evolve, develop and perfect their schemes even with a modicum of certainty of their realisation and successful working. It is, therefore, essential that the Government should take the public into their confidence without any delay and announce their policy in regard to the nature of regulations, restrictions and control which they propose to impose on industries in the post-war period.

16. It should not be forgotten that a foreigner can float a company abroad and start working in India. It should be realised that some of the existing foreign concerns with large interests in this country may develop new lines by expanding their plant and machinery without any restrictions. It will be the negation of the industrial development on national lines, if the policy of the Government is such as would not prevent the foreign manufacturer to expand his activities freely in this country, while the national of the country is penalised with a number of regulations and restrictions for starting

any industry with a long-range scheme. Industrial development in India in the post-war period means development of Indian industries owned, controlled and managed by the nationals of the country and it is, therefore, of supreme importance that the policy of the Government should not be to restrict the freedom of the nationals, but their objective should be to ensure that no new non-national interest is created in this field in the future.

WILL GOVERNMENT INTERFERE WITH PRIVATE ENTERPRISE?

17. These are some of the serious disadvantages under which we have been working for the industrialisation of our country. The task, gentlemen, which lies ahead is, however, full of grave difficulties and dangers. It is now some months since the Government have been considering the industrial planning of India. They have not disclosed to the public yet what that plan is or is going to be. Even the fundamental principles, which are going to govern that plan, have not been announced. Private enterprise has built up industries in India in the past. It should, therefore, be allowed to establish and develop new industries in the future. It is essential that the Government of India should assure the public that they have no intention to interfere with private enterprise in the post-war industrialisation of this country. I can, however, visualise circumstances, when private enterprise may find it impossible to establish new key or basic industries in this land. For instance, the limited market in the country may make it impossible for private enterprise to establish an aircraft industry on economic lines. Considerations of defence, the need for acquiring experience and giving training in the vital art of building aircraft and the necessity of making India self-sufficient in this matter against all exigencies should make it obligatory on the State to establish and develop an aircraft industry in the larger interests of the country. Not only could there be no objection against the State starting industries under such circumstances, but it will also be their duty and responsibility to do so. The point, however, which I wish to emphasise is that the post-war industrialisation of India should be carried on by private national enterprise as a general rule. The State should come in that field only under exceptional circumstances.

CONTROL OF CAPITAL ISSUES IN POST-WAR PERIOD HARMFUL

18. We have recently seen a report in the press that the Government of India contemplate to continue the Control of Capital Issues in the post-war period and to make it an integral part of the post-war planning and development schemes. They have appointed Dr. Thomas to examine the question and draw up a scheme as to how such control should be exercised in the future. We do not know how far the report represents the policy which the Government desire to adopt and we would, therefore, request the Government to enlighten the country on this important matter. I am, however, sure that you will all agree with me that the manner in which the Control

of Capital Issues is being carried out has not been conducive to India's industrial development. As I have already pointed out, it has made us anxious regarding the real intentions of the Government for promoting future industrialisation of our country. Whatever may have been the justification for the Government of India for controlling Capital Issues during the period of the war, we must tell them clearly and frankly that the country does not need such control in the post-war period and should urge upon them to give us an unequivocal assurance that the Government will not continue the Control of Capital Issues, when peace returns.

FOREIGN OWNERSHIP AND FOREIGN CONTROL BOTH SUICIDAL

19. While we shall have to present a solid front against the difficulties which may be placed by our own Government in the way of the nationals of the country establishing and developing industries in India in the post-war period, we shall have to be continuously vigilant and extremely cautious and critical in determining how far the offer of co-operation from non-national sources will enable us to ensure India's national economy and her future prosperity. You are all aware, gentlemen, that such combines as those of Swedish Trust, Lever Bros., and Imperial Chemicals, which have deeply entrenched themselves in this country behind the tariff wall, have proved to be highly detrimental to our national interests. On the one hand, they have ruthlessly stifled national efforts with their powerful resources and on the other, they have prevented outside competition with their influential connections. That is why we have all been demanding in the larger interests of our country that no new non-national interest should be allowed to start a new industry in this land in the future. The recent tendency, however, is that both the Britishers and the Americans are evincing keen interest in the future industrialisation of India and have been indicating the basis of their co-operation with Indians in that field. Only the other day, *Reuter* told us that influential American interests approached an eminent Indian in New York regarding capitalisation of some of the India's economic projects. The cable further added that the American business circles were prepared to help India by offering to sell her goods on liberal credit terms. Businessmen are not moved, as you know, by purely altruistic considerations. It is, therefore, imperative for us to ensure that in accepting any such offer from non-national sources, neither do we allow any non-national vested interests to be established in this country nor do we put them in a position to stifle our national aspirations or defeat us in our fight for political freedom. I need not add that the vital need of safeguarding our industrial advance and the promotion of our national economy of the future from this insidious and intriguing danger has been recognised by the Bombay Plan which has sounded a note of warning that " such capital (non-national capital), if it is not accompanied by political influence or interference of foreign vested interests, should not be unwelcome ".

No Industrial Progress without National Government

20. We are on the threshold of a great change involving great developments. Industrialisation of India will require the effective mobilisation of all the best talents, experience, skill, technical knowledge, credit and capital in the country. Herculean efforts and eagle-eyed vigilance will be needed to achieve the object that India has in view. We should, however, never forget that, as emphasised in the Bombay Plan, the one supreme and inevitable condition for the successful working of the mighty task which lies before us, is the establishment of a National Government enjoying popular support and full freedom in economic matters. Attempts are being made and will be made in the future from interested quarters to divorce the question of industrial development of India from her fight for political freedom. Emphasis was laid in a recent debate of the House of Commons on the view that India should concentrate at present only on the solution of economic problems. There was not a single ray of hope in the speech made by the Secretary of State on that occasion. There was nothing in it to show that he cared even a jot—not to say that he was anxious—for the solution of the existing political deadlock and thus free India from the political subjection of Britain. As was rightly remarked by the distinguished head of the Tatas, the greatest industrial House in the country, " the Indian industrialists and businessmen are as keen on the immediate establishment of a National Government responsible to the Indian people as any other section of the nation ". Let us warn those who are anxious to mobilise the economic and industrial forces in the country for continuing to keep India under political subjection, if not degradation, that they will not succeed in their anti-social and anti-national designs. Let us show to them by our action that in our own interests and in the larger interests of our country we shall continue to stand firmly and solidly by those patriotic leaders who have been fighting for India's political independence. Let there be no mistake about this and let us keep our banner always flying with the words " Industrial regeneration of India needs political freedom first and political freedom last ".

Speech of Mr. Pranlal Devkaran Nanjee, President, Indian Merchants' Chamber, Bombay, at the Third Quarterly General Meeting of the Chamber on Friday, the 10th November 1944.

Gentlemen,

The excerpts from the proceedings of your Committee for the quarter ending 30th September, are before you. As usual, I should like to make a few remarks about the political situation and some other pertinent questions.

(2) The political situation has further seriously deteriorated since we met last in this Chamber. The release of Mahatmaji had led to certain expectations both in England and in India, with regard to the release of political leaders and all the other detenus. It was hoped that such an unlocking of the prison doors might lead, ultimately in the natural sequence, to the lifting up of the political impasse, which has now held the country in its sinister grip since more than two years; and might also lead to a settlement of communal questions which have been considered as a handicap and a hindrance to a settlement of political issues. It is not now only that the intriguing question has been put as to whether the communal issue has befogged the political issue, or the latter has befogged the former. With regard to the political issue, both His Excellency the Viceroy and the British Government remained adamant and the prison doors remained unopened ; nor was there a contact allowed to be established between Mahatma Gandhi and the Viceroy. Every gesture of real goodwill and sincere spirit of co-operation shown by Mahatma Gandhi for solving the present deadlock found no response from our rulers. It only stiffened their backs and steeled their hearts for retaining the power in their own hands. There was some political interlude in between, when it was found that the Government of India and the British Government quashed all attempts on the part of American representatives here or outside to have American interference for the solution of the Indo-British tangle. Mr. Churchill has established himself as a dictator, and India has proved a " blind-spot " to him. Apparently all that has been said about the necessity for getting India's co-operation in this war to secure, as the Allied Statesmen put it, freedom for every country in the world, has been lost upon him. The Great War No. I was fought to end all future wars, and we saw what happened. Now the slogan of this Second War was to secure freedom and liberty and independence for every nation in the world. And yet, only a few days back, Mr. Churchill in effect said that their policy would be the same with regard to every country according to the particular circumstances which then prevailed. The different charters like the Atlantic Charter did not apply to this country. There was thus no manifestation of a desire on the part of the rulers to remove the political impasse from this country and to secure the co-operation of the Indian leaders and the Indian people. On the contrary, the recent announcements of people in seats of authority both in India and in England have further confirmed our fear that Britain is not only not prepared to part with power but she is also determined to rule this country more ruthlessly than before for promoting her own selfish ends and interests. Unless India, therefore, mobilises effectively all her strength and works with unity and a determined will for securing her political freedom, the tragedy that is being enacted by the Powers here and in England for stiffening our political and economic

subjection will make our conditions on all fronts more galling and impoverishing in the future than in the past.

(3) It has been a tradition upto now that Members of the Government of India should, as far as possible, desist from active communalism and active participation, in the politics of the day. There is nothing, of course, to prevent them from criticising, whether in the House of Legislature or outside, public movements calculated in their opinion, to be deleterious. I am, therefore, amazed at the way in which a Member of the Government of India, the Hon'ble Dr. Ambedkar, indulges in-invectives of the highest order against all and sundry, pours vials of wrath and vitriol on the devoted heads of Mahatma Gandhi and other leaders, abuses the Princes and refers to the Vedas and the Gita in the most opprobrious terms. There is nothing to prevent the Honourable Member from strongly criticising Mahatma Gandhi or criticising the scriptures of the Hindus; but, surely, there is a limit, and the Hon'ble Member has far exceeded that limit. Not only has he indulged in these criticisms and invectives, but he has also openly said : " If the British have a hundred reasons to fight the Germans, you, untouchables, have a thousand and more causes to fight the Hindus. You must be prepared to state that if arguments fail, force will be used to obtain your rights." Not content with these remarks, he proceeded further and observed that " the causes of conflict between the Hindus and the untouchables were far more fundamental and sacred than those between the Allies and the Germans "; and that " the untouchables should fight even to the extent of shedding their blood to win their rights.". Surely, this is the limit !

(4) One should like to know if Members of the Government of India are allowed the licence to indulge in expression in the same sort of ideals, thoughts and language that the Hon'ble Member, to whom I referred, indulges in. Sir C. P. Ramaswami Aiyer well observed that if it had been any other man that man would have long since been proceeded against under the Defence of India Act. Mir Maqbool Mahomed, Secretary to the Chancellor of the Chamber of Princes, speaks also in almost the same strain and says that such a sweeping, misleading and inaccurate statement with regard to Prince would be atrocious and unpardonable even from an ill-informed person, but when it is made by one holding the responsible position of a Member of the Executive Council, it is impossible to describe it in parliamentary language. I hope you will excuse me for referring to such speeches; but we have long since waited in the hope that the Hon'ble Member in question will observe the decencies of public life. Unfortunately, this impetuous exuberance has still not been put under restraint, and so we have to criticise him in the hope that he will use his undoubted talents in the cause of unifying the country and bringing about a full and harmonious realisation of all our political and social ideals without any further delay.

International Conferences

(5) The end of the last world war gave birth to a new conception—the conception of a world more unified than before. The subsequent establishment of the League of Nations gave shape to that conception and sought to create an International Body to which all nations pledged their faith in the method of negotiation and arbitration as against that of violence in order to settle their common problems. The middle thirties of the century, however, saw the slow disintegration of this august but effete body which practically became defunct in the period immediately preceding the start of the present global war. When the fortunes of the present war began to turn in favour of the Allies last year after a period of grim ordeal, they revived the dead ghost of international co-operation and repledged their faith in international organisations and conferences. Hot Springs, Bretton Woods and Dumbarton Oaks have witnessed consultations which have sought to affect the destinies of nations.

(6) These international conferences, in spite of their beneficial and humanistic character, have been more used as mere tools in the hands of big powers to further their own individual ends. You will agree with me when I say that these International gatherings have very little glamour for us as we have now come to realise that whatever we hope to obtain and secure through these conferences will have to be forced out by our inherent strength as a nation. With the coming of peace will follow more such conferences and organisations which will more closely affect our economy and we must be prepared to assess their implications and significance. At Hot Springs Conference a mere technicality was propped up as a sufficient justification to stifle the voice of agony of starving millions of India. The destitutes of famished Bengal were naively told that they did not belong to an independent country occupied by an alien power. Bretton Woods dismissed as a domestic concern the astronomical sterling balances which India accumulated in London by submitting to an acute scarcity of essential goods and by enmeshing herself in the spiral of a deadly inflation. Even the fact that the debtor Britain would swamp the Indian market and ruin infant industries which were the only diversification from her predominantly agricultural economy did not constitute enough provocation to the Bretton Woods Delegates who had assembled to nullify and assuage the effects of the currency operations of one country in relation to another.

(7) The Dumbarton Oaks Conference forged the blue print of world security. Of course, we Indians have been further assured by the Prime Minister Churchill that we shall serenly repose under the imperial shield. So under the World Security Plan we are doubly secured ! ! The results of these international conferences have come to us as no surprise. The Government of India officials have in all cases represented us at these International Conferences with the solitary exception at Bretton Woods. Constituted as we are constitutionally, these Government officials, however, well intentioned,

cannot be expected to plead the case of the people of India because they do not derive their authority from them. Your Committee in their correspondence with the Government of India on the subject of Indian representation at International Conferences, have strongly protested against the Government policy of sending Government officials only as accredited Indian representatives. They have made it known to Government that under the existing irresponsible regime only non-officials carrying popular support and enjoying public confidence should represent India at such conferences where important and vital questions concerning the people are discussed and decided upon. I regret to say that our benign Government have not made up their mind on this important and vital question. They still persist in making us believe that " the Government of India are not aware of any grounds to justify any fear that interests of India would not be adequately protected and promoted by an official delegation." This was their recent reply to our request to include non-officials in the Indian Delegation proceeding to participate in the International Conference on Civil Aviation which was held on 1st November. Gentlemen, we cannot accept or ignore the attitude of the Government of India on this vital question. Soon enough there will be a plethora of such important international conferences where questions of supreme importance will be thrashed out and decided upon either to the advantage or detriment of people who may not have an effective voice in the deliberations of such conferences. With the end of hostilities a world organisation is bound to arise wherein India must have an effective representation which could speak in the name of the Indian people. May I, therefore, appeal to our commercial and industrial associations with all the earnestness at my command that they should carry on a ceaseless crusade from now against the denial of this fundamental right of the people and rest not till the Government definitely agree to ensure that they will allow the true voice of national India to be effectively heard at such International Conferences in the future? Gentlemen, if by any complacency we do not stir ourselves to any definite formulations on this question, we will have done irreparable harm to future generations affecting the national economy of the country.

Bretton Woods Monetary and Financial Conference and After

(8) The texts of the decisions and conclusions reached at the United Nations Monetary and Financial Conference held at Bretton Woods in July last are now available. Some of the Indian Delegates have also helped in the elucidation of the position by their press interviews and informal discussions with various representative bodies, including the Chamber. India has, indeed, reason for feeling disappointed over the outcome of the whole Conference. Our fears that just as in the pre-war period all talks about international collaboration in economic matters would mean collaboration or joint action so far only as politically advanced and powerful countries

were concerned, and submission to dictation so far as politically dependent countries like India were concerned, have come true. Before the Conference, it was announced with much gusto that the proposed international arrangements were designed to promote international monetary co-operation, facilitate the expansion and balanced growth of international trade, promote exchange stability and assist the establishment of multilateral payment facilities. Perhaps, those who approached the task of devising the necessary ways and means understood by internationalism the promotion of a state of affairs which would facilitate the preservation of the whip-hand of the chosen few.

(9) The main decisions of the Conference are the creation of an International Monetary Fund and the establishment of a World Bank. The Fund is expected to promote international monetary co-operation and maintain an International Monetary system which will facilitate the flow of foreign trade. The provisions envisage, among other things, the maintenance of exchange stability and an orderly disposal of current balance of payments between countries. Likewise, the proposal for the establishment of an International Bank envisages collective effort for mutual assistance for reconstruction and development with a view to aiding economic stability and fostering peace. The proposed Bank is intended to provide capital through normal channels for long periods for undertaking long-term projects which will raise the productivity of the borrowing countries. The Bank would guarantee such loans made by ordinary financing agencies or, where necessary, will itself make the finances available. In bare outline the above represents the central proposals and the main purpose of the two international agencies proposed to be created as a result of this Conference.

(10) It is not my purpose today to enter into a detailed examination of the machinery and technique of the two schemes. There has been by now sufficient public discussion on that aspect. I am more particularly concerned with the examination of the position of India *vis-a-vis* the two institutions. So far as the International Monetary Fund is concerned, the management will be vested in an Executive of 12 Directors, of whom five will be form the five countries having the largest quotas, viz : U.S.A., Great Britain, Russia, France and China, the remaining seven being left to be filled up by election by members, who have not got permanent representation, on certain prescribed conditions. It is very difficult to comprehend the basis on which the quotas were determined and the countries for permanent representation selected. If they were determined on the normally accepted standards of area, population, production, foreign trade, etc., India is entitled to a place among the first five as a matter of course and of right. Fancy India being not even treated on a position of par with China ! It cannot be seriously suggested that the economic and other importance of India is in any way less than that of China. Again India is allowed a quota of only 400 million

dollars as her contribution to the Fund—about Rs. 133 crores—which is but 4.5 per cent of the total of the Fund as against 2,750 million dollars (31.25 per cent) for U.S.A., 1,300 million dollars (14.7 per cent) for Great Britain; even China's quota is more than that of India, being 550 million dollars. It is very difficult for us to understand as to how these figures have been arrived at. Gentlemen, the quota figure is of great significance as it must be remembered that, apart from voting rights being linked to it, many factors depend on the amount of the quota. The extent of the help which a country is entitled to receive will also have a close bearing on its figure of quota. We have, therefore, reason to feel that the proposals adumbrated in the scheme of the International Monetary Fund do not give this country a fair and square deal.

(11) The position and status allowed to India in the scheme of the Bank suffer almost the same defects. But the proposal that long-term finances would be made available for any approved programme of rehabilitating the economic condition of a country will have its own attraction for this country which is now keen on planning a programme of all-round development. With all the limitations inherent in the scheme as referred to above, we will have to think seriously as to how far we can usefully be a party to this arrangement and thereby take advantage of the financing facilities that would be made available by the World Bank. It is, however, significant that the membership of the International Monetary Fund is a condition precedent to the membership of the Bank.

Sterling Balances

(12) It was expected that as part of the arrangements for International Monetary collaboration, the Bretton Woods Conference would include proposals for facilitating the repayment of abnormal war balances. Unfortunately, the Conference decided to exclude that aspect from the scope of its work and from the functions of the proposed International Monetary Fund. This is another point on which India has reason to feel disappointed over the outcome of this Conference. Exchange stability and the maintenance of orderly disposal of current balance of payments are among the important objects for which the machinery of the Fund is being devised. We want these facilities for the orderly liquidation of the balances we have accumulated in the U.K. without in any way affecting the exchange equilibrium as between India and England and as between India and any other countries. We want these balances to be capable of being converted into such multilateral currencies as are necessary for purposes of our trade and other requirements; and yet the Conference has summarily decided that India shall not be entitled to use the machinery of the Fund for this all important purpose. It was even mentioned at the time of the discussion in the Conference that while the Delegates sympathised with India's position, they were constrained to turn down their proposals on the ground that it would complicate the general scheme of the Fund which was still in the

difficult formative stage and that the scope of the Fund could not possibly be enlarged at present to include a solution of India's problem without endangering its ability to perform its main function. In other words, it comes to this : that although the delegates recognised the validity of the stand taken by India, they allowed themselves to be swayed away by other considerations and shirked facing the problem in its entirety and evaded undertaking full responsibility for discharging the main function of securing international currency and exchange stability.

(13) In view of the serious drawbacks in the schemes, I am afraid we should think twice before agreeing to join the Fund and the Bank. There are serious differences of opinion on the question, both in the U.K. and the U.S.A., and the acceptance of the schemes by these countries is yet to come. As stated by the Finance Member the other day, there would be no such international scheme for any country to accept and join, unless both Great Britain and America decided to accept the same. It would be, therefore, wise for India to wait as the date for ratification is far off, and in the meanwhile demand satisfaction from U.K. regarding the Sterling Balances and from U.K. and U.S.A. regarding our position on the Executive of these institutions. The Government of India should take the commercial community and the Legislature into confidence and use all their influence to get India her due. They should remember that they are in this case acting on behalf of the responsible Government of the future, who will have really to participate in this form of international co-operation. If the present position is accepted, it would amount to a humiliating legacy that the present bureaucratic Government will leave to the responsible Government of India of the future. It is, therefore, essential that Government should consult fully representative commercial interests and be guided by the vote of the Legislature in this matter of vital importance to the future well-being and national economy of this country.

(14) In the meanwhile, the Sterling Balances are continuing to accumulate. It is understood that this matter would now be the subject of bilateral negotiations between representatives of His Majesty's Government and the Government of India. It appears that the preliminaries connected with such negotiations are now under discussion and representatives of this country would be deputed to the U. K. for carrying on the further stages. Although this announcement about the bilateral negotiations was made at the time of the International Monetary Conference in July last, it is surprising that no official statement has yet been made as to when the talks would actually commence and as to how the Government of this country propose to proceed further in the matter. It is presumed that the Indian Delegation for these negotiations would include representatives non-officials enjoying the confidence of the country so that the talks and the negotiations might inspire confidence here, and the case for India could be effectively presented and pressed before the authorities in U. K. Various suggestions have already been made

both in the press and in the discussions in public bodies regarding the best manner of utilising these balances in the true interests of this country. It is not my purpose to cover the same ground again at this stage. There is, however, one particular suggestion which has repeatedly been made and which is capable of being implemented immediately without awaiting the result of the negotiations for the final disposal of the balances. I am referring to the proposal for acquiring British-owned investments and enterprises in India by paying the value of the sterling capital involved in the same. Similarly the rupee investments of British nationals in India should be mobilised by His Majesty's Government and transferred to India in exchange for payment in sterling. There is precedent for action on similar lines in the steps taken by the British Government in requisitioning the dollar resources and investments of British nationals in the U. S. A. and also in some of the Dominions like Canada, South Africa, etc. No accurate estimate of the extent of the foreign capital available for repatriation in the above manner is available. In relation to the total Sterling Balances to be disposed of, any such proposal would not, by itself, meet the full requirements of the situation. A start, however, can be made in that direction as the proposal is one which can be immediately implemented without any serious difficulty. The Government of India should secure an early announcement from His Majesty's Government in regard to their intentions about this matter and in the meanwhile a general assurance should be given to the country that the Government of the U. K. are alive to the sanctity of their legal obligations to this country in respect of these balances and that mutually acceptable arrangements for ensuring their liquidity and convertibility would be devised at no distant date.

The Empire Dollar Pool

(15) Immediately after the commencement of the war His Majesty's Government mobilised the Dollar resources held by the nationals of this country in the interests of the war effort. With the progress of Lease-Lend arrangement, the strain on the dollar position eased and it was felt that India should be allowed to build dollar resources of her own particularly in respect of her share of the export trade to America. It may be recalled that in his Budget speech in February last the Hon'ble the Finance Member observed that His Majesty's Government had agreed as an integral part of the reciprocal arrangement, to set aside each year "from now onwards a part of the dollars accruing from India's exports to the U. S. A., apart from and in addition to our current dollar requirements which are met from the Empire Dollar Pool under the usual sterling area arrangements." He added that these amounts would be held in a Dollar Account by the Reserve Bank of India with the Bank of England and will thus be available for India's development purposes after the war. We had at that time urged that there was no reason to allow only a part of the dollar resources legiti-

mately accruing to this country for her credit in this fund and that the whole of the dollar resources accruing from India's balance of exports should be made available to us. It would appear that the Empire Dollar Pool has now grown to a substantial size and that with the all-round improvement in the dollar position, there seems to be no necessity for the continuance of this arrangement. The Pool should be dissolved and the accumulations should be distributed *pro rata* based on the share of the favourable balance of trade of each country with the U. S. A. for the years in which the Pool was in existence. At all events, India should be allowed to conserve all dollars accruing to her credit on account of her trade with America for her own exclusive use in future. It would, in this connection, be interesting to have information as to the amount standing to the credit of India in the Empire Dollar Pool said to be held by the Reserve Bank of India in terms of the arrangement as disclosed by the Finance Member in his last Budget speech. We see no reason why the information should continue to be kept as a secret and should not be made public along with some of the periodical returns published by the Reserve Bank from time to time.

Agricultural Planning

(16) Nearly three-fourths of the people of India are directly engaged in or dependent on agricultural and pastoral pursuits, and over 60 per cent of the world's gainfully occupied people are normally engaged in the production of food; in spite, however, of this large percentage of the world's population engaged in the cultivation of soil and production of food, there has not been enough to eat for the people of the world in general and India in particular. The United Nations Conference on Food and Agriculture declared in 1943 that " there has never been enough food in the world for the people of the world to eat. To provide the food needs of mankind will require a vast increase in food production in every land." The mixed Committee on Nutrition of the League of Nations concluded in 1937 that about three-quarters of the more than one thousand million inhabitants of Asia have a diet far below the standard of health, and so far as this country is concerned it is estimated that only 39 per cent of the people are well-nourished, while 41 per cent of them are poorly nourished and 20 per cent of them badly fed. The root of all these troubles has been that in a large number of countries there has not been any scientific planning of Agriculture. Only very recently this aspect was considered by the Washington Agriculture Conference held in September 1944, the main objective of which was to discuss the question of the improvement of the agriculture of countries like India and the Far East. Vice-President Wallace, who was one of the principal speakers at the Conference, laid emphasis on the need of the advancement of agricultural production in the Asiatic countries. It was essential, as he said, that the people of India and China should be aided in raising their incomes and increasing their production of crops through more

efficient methods. The history of the last forty years of this country tells us that there has been a policy of drift throughout so far as agriculture was concerned. The Provincial and the Central Authorities paid very little attention towards the improvement of the soil and the increase in the quantum of production. The Commerce Member of the Government of India, the Hon. Sir Azizul Huque, in the course of his speech giving the figures of production of rice per acre in India, since 1910, said that while the population of India had increased from 311 millions in 1910-11 to 388 millions in 1941, the main foodgrains production had remained practically constant between 50 and 51 million tons with small variations from year to year. Production of food during the last three decades more or less remained stationary, as would be evident from the following figures :—

Year	Rice (000 tons)	Wheat (000 tons)
1913-14	24,782	——
1932-33	26,201	9,455
1940-41	22,143	10,027
1941-42	25,351	10,070
1942-43	24,533	——

(17) It is therefore essential that the authorities must seriously think of increasing food production by all possible means, viz. bringing more acreage under cultivation, reclaiming waste land, employing export agencies to teach the farmer to use manures and other fertilizers to increase production, soil conservation, preserving and bringing up the cattle wealth, with a view to increase the supply of milk from which India is suffering at present, etc. The Indian soil has the lowest productivity as compared to the quantity produced in some other countries. India produces on an average 750 to 900 lbs. of rice per acre, which is far below America's 1,500 lbs., Egypt's 2,000, Japan's 2,800 and Italy's 3,000 lbs. In wheat India's 650 lbs. is below Australia's 710, Argentina's 780, America's 850, Canada's 975 and Europe's 1,150. The Imperial Council of Agricultural Research has in this connection prepared a plan for the development of agriculture and animal husbandry involving a capital outlay of Rs. 1,000 crores which has the immediate object of increasing production by 50 per cent in the next 10 years and by 100 per cent in the next 15 years. In regard to animal husbandry, also, the plan has suggested methods of cattle improvement under the headings—feeding, breeding and management of disease control. I am glad to say that the authors of the scheme have discussed all aspects of agriculture, specially the emphasis laid on the importance of harnessing science adequately to agriculture, and the concrete plan put forward for the institutional organisation of agricultural research and education. The main lacuna, however, it appears to me, is the question of trained staff which would be required to plan Indian agriculture. They have proposed to employ demobilised soldiers and ex-servicemen to educate our farmers. I am afraid

that these people may not be found fit for the job, which they would be called upon to do for lack of knowledge. By temperament and training they might not prove successful and efficient guides to the farmers. It is further apprehended that such a policy would mean planting colonies of royalists in a discontented countryside. I, therefore, feel that efforts must be made right from now to train personnel in rural economy by training a batch of students. The first thing, therefore, the authorities should do is to create, as in the U. S. A., a network of Central organisation for help to the ryots in various ways, which may go to make up an efficient machinery for a true plan of agriculture.

The Chairman of the Hot Springs Conference truly felt that even if they had met to discuss long-term questions regarding the supply of food, the position of food stocks in the world was such that even during war-time, nations might have to go without food, if the production of articles of daily consumption was not increased, during the period of war. The warning should be taken seriously by all the countries of the United Nations in general and India in particular, if we do not want the Bengal tragedy to repeat again. Sir Henry French, I understand, has submitted his report on food situation in India, wherein he has drawn the attention of His Majesty's Government that there is really shortage of food in this country. He has however observed that India cannot rely to supplement her needs from outside sources, but must make efforts to increase production within the country itself. I feel therefore that all energetic steps must be taken to make the country self-sufficient as regards food, consistent with her requirements now and after the war. There must be effective planning of our agriculture and agronomy, if we want to feed our country adequately and well.

Speech of Mr. M. A. Master, Vice-President, Indian Merchants' Chamber, Bombay, at the Third Quarterly General Meeting, on Friday, the 10th November 1944

MR. PRESIDENT AND GENTLEMEN,

The President in his speech has already reviewed the existing political situation in this country and has offered important observations on, amongst others, the subjects of India's representation at International Conferences and the treatment which is accorded to her at such International gatherings. I shall, therefore, now offer a few remarks on one or two other matters of equal and immediate importance to us.

NO INTERNATIONAL CO-OPERATION AND NO NATIONAL PLAN WITHOUT A NATIONAL GOVERNMENT

2. Post-war planning, you will all agree, is a problem of supreme importance to India. The Government of India also seem to have recognised that fact. That is why they have created a separate

Department for the consideration of connected problems. It is no doubt gratifying that an eminent industrialist like Sir Ardeshir Dalal has been placed in charge of that Nation-building Department. Sir Ardeshir has, as you know, made important statements in regard to some of the fundamental principles underlying the post-war plan, while he was here a few days ago. Let us, therefore, consider for a moment how far these are likely to help the maintenance and expansion of existing industries and how far these will effectively aid industrialisation of India of the future on national lines.

3. The Government of India have, in their reports on the progress of reconstruction planning, emphasised the fact that India should recognise the importance of international co-operation and international collaboration in the evolution and working of a national plan. They believe that the Atlantic Charter applies not only " to any particular country or group of countries but to every state of the world, whether it be great or small, victor or vanquished ". In order that " all the men in all the lands may live out their lives in freedom from fear and want," they ask the people to give their special thought to the necessity of eliminating " all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers ". India would have given her serious consideration to these fundamental trends of thoughts in the economic sphere, enunciated as they are with vigour by the highly industrialised and powerful countries, had India got equal opportunities, equal facilities and equal power to develop all fields of her national life, including commerce and industries, as other independent countries have got. That, however, is not the case. India's industries, as a whole, are in a stage of infancy. She has no such fiscal autonomy as every free country has got. She, therefore, has not the power that she needs to protect her interests. England herself, on the other hand, has accepted the principle of protection as and when it suits her national economy and her national requirements. Even now, when we are asked to eliminate all forms of discrimination in international commerce, both Churchill and the Chancellor of Exchequer have told the world that England must and shall retain Imperial Preference. Moreover, she insists that British vested interests must be allowed to exploit India and her wealth under the protection of Indian tariff in the future, as they have done in the past. That is England's conception and spirit of international co-operation. I do not know whether our Government share the confidence of Churchill, when they want us to believe that the Atlantic Charter applies to India. The Atlantic Charter definitely lays down and emphasises the right of all peoples to choose the form of Government under which they will live. India wants a National Government responsible to her people. The manner in which the existing political deadlock has been encouraged by the Government to become more complicated and consequently more difficult of solution; and the acceptance of new obligations and fresh fetters which is demanded of the people and the country by those in authority both

in India and in England, as the price which they must pay, before England would be prepared to consider the question of the solution of the deadlock, will convince the meanest intelligence that the Atlantic Charter does not apply to India and that England is not prepared to part with power and will not allow India to choose the form of Government under which she would like to live. Our Government will have, therefore, to recognize and we shall have to tell it to them in unmistakable language that before India is called upon to evolve a national plan based on the principle of international collaboration, the Government of India shall have to ensure that India attains the position and status of a free nation; an equal amongst other free nations of the world and thus gets such a National Government as will have free and unfettered powers for developing her economic and industrial life as they consider best in her own national interests. To bind India to the chariot wheels of international co-operation without giving her a National Government with full and sovereign power will be not only to perpetuate British domination over this country, but it will also be giving England a fresh and new charter for the exploitation of India for the benefit of the Britisher at the cost of this country. No national plan can be worked in the interests of India, unless the existing political conditions are, therefore, radically changed and real National Government, responsible to the people, is established in this country.

No Assurance from Government for protecting National Industries against Internal Competition from Foreign Vested Interests

4. Before, however, a national plan is evolved and worked, the standard of living of the people is raised, the national wealth is really increased, and before peace, plenty and prosperity reigns in the country, let us assure ourselves that the existing industries will be able to maintain their position and reach a healthy and vigorous growth on efficient and national lines. It is true that Sir Ardeshir Dalal has told us that the Government of India are contemplating a liberalization of the existing protection policy and the elimination of some of the conditions attaching to the grant of protection to industries. We are, however, warned both by him as well as by the Supply Member that the Government are under no obligation to protect the industries which have expanded under impetus given by the Supply Department or which have established themselves for meeting purely the war demands. Sir Ardeshir has also made it clear that national industries cannot receive any protection against internal competition even if such competition is offered by foreign vested interests and combines. He has, however, agreed to examine the unfair practices that may be adopted by such interests against the nationals of the country. The one supreme fact which Sir Ardeshir has made it crystal clear to all of us is that " our (i.e. the Government) plans are necessarily based on the existing constitution and for India as a whole."

WILL GOVERNMENT PROTECT NATIONAL INDUSTRIES BOTH PRESENT AND FUTURE AGAINST INTERNAL AND EXTERNAL COMPETITION FROM NON-NATIONAL INTERESTS?

5. Now, gentlemen, is it not the duty of the Government to protect the industries which have come into existence or which have developed during the period of the war? Is their ultimate sacrifice a reward for their contribution to the war effort? Moreover, the existing policy of the Government of India of importing in increasing quantities the consumers' goods and the determination of Great Britain to carry on a vigorous policy of increasing their export drive to this country naturally fill us with apprehension as to the ability of our existing industries to maintain their position against such calculated and deliberate policy of replacing our manufactures. Moreover, large foreign combines, such as the Imperial Chemicals, Lever Bros., etc. with vast financial resources and world-wide contacts, would be left fully free to carry on competition with our national industries from within the country. Is Sir Ardeshir Dalal prepared to protect our national industries, come what may, against the powerful export drive of Britain from without and the powerful combines of vested interests from within? This question was raised at the meeting of the General Policy Committee by our distinguished compatriot, Mr. Jehangir Tata and also by our President, during the visit which Sir Ardeshir was good enough to pay to this Chamber. On both these occasions, Sir Ardeshir remarked that the Government of India Act, as it stood, permitted the operation of such powerful foreign vested interests within the country and that the question of protection against such internal competition was a political issue with which he could not deal, as long as the existing constitution prevailed. That is really the crux of the question. Without fiscal autonomy and without a National Government responsible to the people, it is impossible even for the Planning Member, with all his sincerity and with all his desire to support us, to ensure that all steps that may be necessary would be taken to protect even the existing industries in the country and to allow them to grow and develop in a natural manner in the national interests of this land. What I have already stated above in regard to the existing industries applies with equal, if not greater, force to the industries that may be established in the country in the post-war period. They will need equal, if not greater, protection than the industries which are already working in the country.

PRESENT BASIS OF TAXATION SUICIDAL FOR NATIONAL INDUSTRIES

6. Apart from the inability of the Government to protect either our existing or our future industries in the interests of our country, to which I have already drawn your attention, there is another important question of policy which is bound to seriously affect our industrial future. The second Report on the Reconstruction Planning issued by the Government states that " the need for the investment of a substantial portion of the profits of such industries for further

expansion will imply controls and a measure of taxation which will remedy the anomaly of the existing concentration of wealth in a few hands". The existing policy of taxing industries, as you all know, not only takes away all the extra profits that the industries might be making, but in many cases it makes a serious inroad on the normal profits which they were making in standard years. I agree that it is a sound policy for industries to conserve their profits and utilise them for their future expansion and for bringing them up to modern standards. The question, however, is whether the existing policy of taxation leaves any such profits to the industries at all which they can utilise for their proper expansion? Not only no such profits are left with them, as all profits are taken away by the Government under their existing policy of taxation, but on the contrary, they have been also causing serious anxiety to all industrialists as to how to finance the normal rehabilitation of the assets that they might have lost or of the assets that might have become impaired or obsolete or uneconomic. I am sure that Sir Ardeshir, as a distinguished industrialist of long and varied experience, fully realises that the cost of assets, plant and machinery, has increased several times it's pre-war level. How are the industrialists to replace them? Should they raise fresh capital or borrow money for the re-equipment and rehabilitation of their assets, not to say anything of their expansion? And if they do so, will that be sound finance? As you all know, even if the industrialists are able to secure finance, it will be over-capitalisation which is bound to bring the industry to grief in the future. Even England, with her industries highly developed and backed by substantial financial reserves, did not leave them, after the last war, to the tender mercies of the tax-gatherers. In certain cases, they were granted allowances which varied from 30 per cent to 42 per cent of the cost of their assets against their E.P.D. liability. I am sure, gentlemen, you will agree with me that unless the policy of taxing industries is radically revised, there is no future for our existing industries and it will be almost impossible for our new industries without power of protection even to exist against foreign competition. I can understand the policy of the Government to fix the maximum level of remuneration to be paid to the Managing Agents and even to control the return on capital, if required, in the larger national interests of the country, but I cannot conceive of any justification for so taxing the industries as will not leave with them even adequate resources for their rehabilitation on modern lines, not to say anything of the natural expansion of their activities which they could finance out of the same. Rumour has it that instead of revising the policy of taxing industries the Government are seriously contemplating increasing the taxes on industries. If that is correct, I have no doubt that not only shall be have to bid good-bye to the plan of industrial regeneration, but we may be compelled in the future even to part with the industries which we have built up with so much toil, sweat and sacrifice.

CREATION OF FOREIGN VESTED INTERESTS WILL RUIN—CO-OPERATION WITH FOREIGN CAPITAL WILL PROVE SUICIDAL FOR—NATIONAL INDUSTRIES

7. Another question of equally vital importance to the successful working of a national plan is the question of capital. There has been a concensus of opinion in the country that one of the fundamental items in a national plan ought to be the development of national industries, particularly the basic and the key industries. If national industries are to be developed in the interests of the nation, they must be owned, controlled and managed by the nationals of the country. I have already invited your attention to the bitter truth as to how foreign capital and foreign combines have affected India's industrial development against her own interests. Even today, we are denied protection against such internal competition from foreign sources. No patriotic Indian can or should, therefore, countenance the creation of new vested foreign interests in the country or could welcome the influx of foreign capital in the execution of our national plan which would carry control over or militate against our economic prosperity and political freedom.

8. In regard to the development of civil aviation in India, for instance, it was laid down that air services " should be the sole concern of India and that the policy of Government is to develop civil aviation in India with Indian capital under Indian management and to afford training and opportunities for employment to Indians ". It is, however, significant that what the Government really meant, according to the statement made at the meeting of the Policy Committee, is that " Indian capital and Indian management would mean Indian registration, rupee capital and a majority of Indian directors ". It was also made clear at the same meeting by the Supply Member " that the existing state of affairs would be governed by the Government of India Act, 1935, which definitely protects the existing concerns ". That is not what India wants. Gentlemen, you are all aware that the distinguished authors of the Bombay Plan would not welcome non-Indian capital, if it carried control and domination. It is, therefore, a matter not of small surprise to us that Sir Ardeshir, one of the distinguished authors of the Bombay Plan, should have himself told us definitely that " the Government would leave it to industrialists to start industries without any consideration whether any industry was run by purely Indian capital or by joint Indian and British capital ". We are also warned by another Honourable Member that it would be extremely difficult to obtain the services of foreign experts in the post-war period and it was, therefore, necessary that there should be co-operation between British and Indian manufacturers. I am sure you will all agree with me that industrialisation in India can prosper in India's interest only if it received the necessary inspiration and driving force from Indian patriotism. May we not, therefore, appeal to the Indian Members of the Viceroy's Executive Council, who have

upon them the responsibility to evolve a national plan for India and the authority to put it into execution, to remember that foreign capital and foreign combines have spelt ruin for national industries in the past and will spell ruin for them in the future and that any encouragement to the influx of foreign capital will not only prevent India's industrial regeneration, but it will also militate against her political emancipation. As Gokhale said on an important occasion that " he would sooner displease his countrymen than harm their interests," may I, in all humility urge upon the Honourable Members concerned to be pleased to tell plainly and clearly those who control the destinies of India from Whitehall that India will have no national plan which is not strictly in her own national interests and not be a party either in the evolution or in the execution of a plan which makes it possible for non-national interests to prosper in the country at the cost and sacrifice of Indians themselves.

What is the Policy of Government regarding Import of Consumers' Goods and the Role of Private Enterprise in Industries?

9. These are some of the fundamental questions which will have to be satisfactorily solved, if a national plan is to work successfully in national interests and before Indian industrialists could go ahead with the necessary confidence that both the existing industries and the national industries that will be started in the future will grow and prosper in the post-war period. I need not add that I am fully aware of a few other important and intriguing questions of policy which also require clear enunciation on the part of the Government. We shall await the Government *communique*, as promised by the Member for Planning and Development, as to what facilities will be provided for us for the import of capital goods and what freedom will be really left to us to import them from such countries as our national requirements may justify. It is refreshing to learn from the Finance Member that there will be no change in the existing rate of exchange. Indian industrialists, however, would like to be assured that they would not suffer, as they did suffer after the last war, by any policy of exchange that the Government might adopt between the time of placing their orders for the import of capital goods and the time that they actually arrive in this country. The Member for Planning and Development did make certain observations in regard to the role of the state and that of the private enterprise in the promotion of industries in this country in the future, but that was more with a view to provoke discussion than to convey any definite policy of the Government. It is a matter of first-rate importance for the Indian industrialists to know now, when they are making their arrangements, as to what exactly the policy of the Government is going to be in allowing private enterprise to develop industries in India in the future. I am sure it will be agreed that Indian industrialists can justly ask the Government of India for making a

clear statement of their policy regarding this vital matter without any further delay.

Has Official Delegation to the International Civil Aviation Conference protected India's Interests?

10. Let me now turn from the consideration of some of the vital questions connected with the national plan and examine, for a moment, what the Government have been actually doing for the development of civil aviation in India. As you all know, an important International Civil Aviation Conference met at Chicago from the beginning of this month. India has been represented at that Conference by a delegation consisting only of Officials. The President has very fully dealt with the subject of India's representation at International Conferences and I shall not, therefore, cover the same ground again. It is, however, my painful duty to record one more protest against the consistent and persistent flouting of the public opinion by the Government of India in refusing to include non-officials, enjoying the confidence of the people, in delegations that are sent to such international gatherings. In a letter which the Chamber has received from the Government of India, in this connection, they have told us that " the Government of India are not aware of any grounds to justify any fear that the interests of India would not be adequately protected and promoted by an official delegation ". Those who know the achievements of the official delegations in the past would, I am sure, agree with me that this is only adding insult to injury. The development of civil aviation in India requires that there should be the fullest development of all internal air services and that such services should be entirely controlled, owned and managed by Indians. The plan which was recently published by the Government of India, in this connection, gives a fair indication of what the Government of India propose to do to build up internal services. The plan, however, fails to recognise the vital responsibility of the State to foster the development of air travel or to create air consciousness in the minds of the people of the country. Development of civil aviation requires the establishment of an aircraft industry. The Government have given no indication as to what they propose to do in that direction. Moreover, if India is to attain her proper position in the field of civil aviation, she must participate in the international air services in accordance with the importance of her trades and with her strategic position as a vital air-link of the world routes. It is, therefore, a matter of regret that the Government of India have not yet formulated any plans as regards India's participation in international services. It is, besides, very significant that the Indian delegation have accorded their approval to the principle that the grant of commercial rights, i.e. the right to carry traffic to and from another country be better enunciated and agreed to on a universal reciprocal basis rather than by bilateral agreement and have given their warmest support to the British proposal for the constitution of an international air authority

to decide questions involved in the operation of world trunk routes. Such an authority will have the power to decide as to who can or who cannot fly over any given route and what they should charge for the carriage of traffic. India has no aviation industry at all and the India Government have not thought it fit to deal with the question of her participation on international routes in the plan that they have prepared. With India's dependence on imported aeroplanes and without her laying down any definite outlines in the plan for her participation in the international services, I wonder whether India will ever be able to obtain her proper place in the field of international civil aviation of the future. She may have the consolation of securing reciprocal rights, but I am afraid the benefit of such rights will be enjoyed by Britain and not by India. Lord Swinton, speaking on behalf of the U.K. Delegation, wanted the distribution of international services to be based in proportion to the passenger, mail and freight traffic that may have embarked in a country wanting to participate in the international field. With the smallest number of passengers, mail and traffic that has embarked in the past in India, it is not difficult, gentlemen, to imagine what a poor share India will get of the international services if Lord Swinton's principle is accepted—a principle which is warmly supported by the Indian delegation. The Government who assure us that the interests of India would be adequately protected and promoted by an official delegation, will I hope, turn and search the light inward and would then realise that their accord to such a proposal would not promote India's interests, but would sacrifice them for the benefit of others.

REPORT ON RECENT BOMBAY EXPLOSIONS AND ITS REVELATIONS

11. The First Report of the Commission of Inquiry in connection with the explosions in the city in April last is a remarkable indictment of the various authorities who are responsible for the administration and the safety of the port. Judicious and restrained as the Report is in its outlook and expression, it is both firm and frank in revealing how the different authorities failed in the discharge of their respective duties. It has exploded the myth of British efficiency in this country and has disclosed in its different chapters how the authorities concerned have not shown that sense of responsibility and that standard of efficiency which we have been taught to associate with them. The public however is intensely interested in the several revelations which the Report has made in regard to the action or inaction taken both before and during the fires that led to the disaster. The first question, which the man in the street may put is " was timely intimation given about the outbreak of the fire ? " The Report points out " that nearly half an hour from the discovery of the fire had elapsed before any message was sent through to the Fire Brigade Services, and, then, the message sent indicated an ordinary fire and not one of a serious character ". It is natural for the public to inquire whether immediate and efficient action was taken to put out the fire. The Report reveals that " from the very outset

there was a failure to get at the heart of the fire ", and adds that " the situation might have been saved if energetic steps had been taken to cut " a hole in the side of the ship. The Commissioners are further of the opinion that " no sufficiently energetic or skilful attempts were ever made to get firemen with hoses down on the 'tween decks, from which place water could have been projected directly on to the fire ". It is a startling admission by the head of the Fire Brigade that their appliances had never been used " for cutting a hole for many, many years ", and that the plant which they had got " was not intended solely for cutting holes into the metals of the ship. It might have been effective for cutting thinner metals but not for cutting holes in the ship ". That an institution which is primarily intended for the safety of the city and the port from fires should reveal an arrangement devoid of such an elementary responsibility needs no comment. The public would certainly enquire why the ship was not scuttled or why it was not taken out of the docks. Firstly, although the Commission has definitely opined that " it was most undesirable that a ship discharging explosives alongside in the docks should have been incapable of moving herself," the fact is that the main engines of s.s. " Fort Stikine " " were out of action "; secondly, the Captain received different advice from different authorities and was not able to make up his mind as to what he should do. The Report has established the fact that the ship could have been taken out in time and adds that " if there had been present in time, one man assertive and strong enough to assume and exercise paramount command, it is our opinion that the magnitude of the disaster would have been greatly modified even if it had not been averted altogether ". The public would naturally like to know whether the ships and the people working in the docks were informed of the danger to which they were exposed. Neither was the red signal hoisted on the ship before the fire nor was it put up after the fire. The police failed in their duty of issuing warning both to the ships and to the people in the docks of the coming danger. As the Report adds " no one had had the foresight to send for a police loud-speaker van or even to borrow a ship's megaphone." On the contrary, the police went on checking the passes of the persons leaving the docks and thereby, as the Report adds, impeded " the exodus of such persons as were attempting to leave ". Verily, when we read the Report and the revelations made therein, we cannot help exclaiming that " Neroes continued to play, when Rome was burning ". I do not wish to elaborate this point any further but I shall make only one more observation. The manner in which the Government of India have allowed His Majesty's Government to challenge the Findings of the Commission in the Resolution which they have issued on the Report is very strange. I am sure the public will not be misled by the defence that is embodied in the resolution but would unhesitatingly continue to accept opinion of the Commission that " the want of knowledge and the lack of supervision over, and by, Mr. P. G. Knott, the Deputy Representative of the Ministry of War Transport

at Karachi, in respect of the loading of s.s. " Fort Stikine " resulted in there being put on board a cargo so stowed in relation to explosives as to be dangerous and to make s.s. " Fort Stikine " an unsafe ship by reason of improper loading within the meaning of Section 232 of the Indian Merchant Shipping Act, 1923 ". No impartial man will fail to realise the grave implication of this definite opinion expressed by the Commission in regard to the responsibility of the Ministry of War Transport in this matter. " Let us, however, express the hope that the lessons taught by this disaster will not be lost upon the Government and that they will take forthwith all steps that may be necessary for the prevention of such disasters in the future."

RESPONSIBILITY OF THE STATE FOR LOSSES DUE TO EXPLOSIONS

12. Although the Commission has found that the bringing of explosives in the docks in war-time is the primary cause of the disaster, it has clearly stated that " it is not our opinion that there is available any practicable alternative ". The ships carrying the explosives, it is therefore apparent, will be taken into the docks in the future as they were in the past. The risk, it will be seen, has to be run. The public, however, are entitled to know from the Government whether the Government of India will indemnify them against all losses that they might suffer from death or injury to person or from loss or damage to property and goods that may result from any such disaster, which, God forbid, may take place in the future. Your Committee have made appropriate representations to the Government on this subject, but I regret to say that no such assurance on this subject has been vouchsafed to them. On the contrary, the recent Ordinance that was promulgated in connection with the compensation scheme took away the right of the public, who might have suffered to file a suit against the Port Trust or the Municipality or any other public body in connection with the loss that they might have sustained as a result of the disaster. As this is a matter of serious importance to the life and economy of the people, let us hope that the Government of India will not fail to make their position clear in this connection at an early date and assure the public that any loss that they may suffer in the future will be made good by the State.

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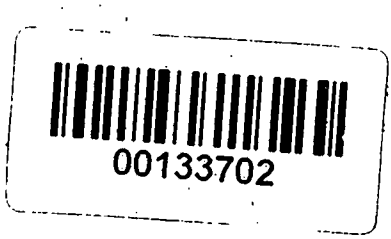
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Digitized with financial assistance from
Government of Maharashtra
on 01 February, 2020

PRINTED BY V. V. BAMBARDEKAR AT THE
INDIA PRINTING WORKS, FORT, BOMBAY.